

**GN 525 of 1 April 2019: Investigations and Special Audits Regulations  
(Government Gazette No. 42368)**

DEPARTMENT OF AUDITOR-GENERAL OF SOUTH AFRICA

I, Thembekile Makwetu, Auditor-General of South Africa, in terms of [section 52 \(1\)](#) of the Public Audit Act, 2004 (Act [No. 25 of 2004](#)), read together with sections 4, 5, 29 and 52 of the Act, do hereby make the regulations set out in the schedule hereto.

**SCHEDULE**

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**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Regulations/ GN 525 of 1 April 2019: Investigations and Special Audits Regulations (Government Gazette No. 42368)/ 1. Short title.-These regulations are the Investigations and Special Audits Regulations.**

**1. Short title.**-These regulations are the Investigations and Special Audits Regulations.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Regulations/ GN 525 of 1 April 2019: Investigations and Special Audits Regulations (Government Gazette No. 42368)/ 2. Definitions and application.-(1) In these regulations, unless the context indicates otherwise, any word or expression to which a meaning has been assigned in the Public Audit Act, 2004 (Act No. 25 of 2004) has the same meaning, and-**

**2. Definitions and application.-(1)** In these regulations, unless the context indicates otherwise, any word or expression to which a meaning has been assigned in the Public Audit Act, 2004 (Act [No. 25 of 2004](#)) has the same meaning, and-

**"Act"** means the Public Audit Act, 2004;

**"document"** includes any recorded information, regardless of the form or medium thereof;

**"in writing"** includes any electronic means recognised by the Electronic Communications and Transactions Act, 2002 (Act [No. 25 of 2002](#));

**"investigation"** means a formal, independent and objective process or procedure which entails the examination, assessment, inquiry, analysis and evaluation of facts and circumstances conducted by the Auditor-General for purposes of determining, confirming or refuting the existence of an irregularity;

**"person"** means a person as defined in [section 2](#) of the Interpretation Act, 1957 (Act [No. 33 of 1957](#));

**"political office bearer"** means an office bearer as defined by [section 1](#) of the Remuneration of Office Bearers Act, 1998 (Act [No. 20 of 1998](#));

**"non-financial irregularity"** means an irregularity which does not have a direct financial impact; and

**"special audit"** means an audit of any aspect of the performance, financial management or compliance with legislation by an auditee or a group of auditees other than an annual audit performed for the purpose of reporting in terms of sections 20 or 28 (1) of the Act or an audit of procurement and the utilisation of resources in terms of section 5 (1) (aA) of the Act.

(2) These regulations must be read together with sections 41 (1), 4 (3) and 5 (1) (d), 52 (1) and 52 (1A) (b) of the Act.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Regulations/ GN 525 of 1 April 2019: Investigations and Special Audits Regulations (Government Gazette No. 42368)/ 3. Nature and category of information to be investigated.-(1) For the purposes of section 5 (1) (d) of the Act, in determining the nature or category of matters to be investigated, the Auditor-General must in exercising his or her discretion to carry o**

**3. Nature and category of information to be investigated.**-(1) For the purposes of section 5 (1) (d) of the Act, in determining the nature or category of matters to be investigated, the Auditor-General must in exercising his or her discretion to carry out an appropriate investigation at any institution referred to in sections 4 (1) and 4 (3) of the Act take into account all relevant information and circumstances relating to that information, which may include a determination of whether the information-

- (a) is indicative of a possible financial loss or negative impact on the institution;
- (b) is indicative of the possible involvement of the institution's management, accounting officer, accounting authority or political office bearers in any activities or decisions constituting non-compliance or contravention of applicable law, codes of conduct or principles of good governance;
- (c) is indicative of a possible misappropriation of assets;
- (d) is indicative of a possible non-financial irregularity;
- (e) relates to the institution's role, nature, size and mandate or the industry in which the institution operates;
- (f) relates to the impact on the institution or the economy at large;
- (g) relates to strategic assets held by the entity or key projects the institution is undertaking or planning to undertake;
- (h) relates to functions in respect of which an organ of state other than the Auditor-General is better positioned to perform an investigation or assessment;
- (i) has been or is being assessed or investigated by another organ of state;
- (j) requires the exercise of powers or performance of activities which extend beyond the scope of an audit or the mandate of the Auditor-General, and another organ of state is in a better position to perform the investigation;
- (k) is in the public interest and necessitates further investigation;
- (l) relates the institution's previous audit outcomes;
- (m) relates to a matter which can be adequately addressed as part of an annual audit of the institution;
- (n) relates to a period which cannot be covered during a current audit;
- (o) is substantiated by records and information constituting proof of the veracity of the information;
- (p) was provided by a person whose identity can be sufficiently authenticated or in respect of whom sufficient contact details were provided;
- (q) is of a vexatious or frivolous nature;
- (r) would require an investigation or assessment which is likely to unduly constrain the Auditor-General in carrying out its functions contemplated in the Constitution of the Republic of South Africa, 1996.

(2) This regulation must not be interpreted so as to prevent the referral of any information to another organ of state or other relevant body for investigation or assessment.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Regulations/ GN 525 of 1 April 2019: Investigations and Special Audits Regulations (Government Gazette No. 42368)/ 4. Nature and category of matters for special audit.**-(1) For the purposes of section 5 (1) (d) of the Act, the Auditor-General must in exercising his or her discretion to carry out a special audit at any institution referred to in sections 4 (1) and 4

**4. Nature and category of matters for special audit.**-(1) For the purposes of section 5 (1) (d) of the Act, the Auditor-General must in exercising his or her discretion to carry out a special audit at any institution referred to in sections 4 (1) and 4 (3) of the Act take into account whether-

- (a) the audit relates to the delivery or financial management of a significant government programme, compliance with legislation or government policies to enhance transparency, accountability and good governance, the financial management of an auditee or group of auditees or any matter considered by the Auditor-General to be in the public interest;
- (b) the audit relates to a matter which cannot be adequately addressed through an annual audit performed for the purpose of reporting in terms of section 20 of the Act or an audit of the procurement and utilisation of resources in terms of section 5 (1) (aA) of the Act;
- (c) any organ of state other than the Auditor-General is better positioned to deal with the matter; or
- (d) the audit is likely to unduly constrain the Auditor-General in carrying out its functions contemplated in the Constitution of the Republic of South Africa, 1996, or to impair the independence of the Auditor-General.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Regulations/ GN 525 of 1 April 2019: Investigations and Special Audits Regulations (Government Gazette No. 42368)/ 5. Acceptance or declination of request for an investigation or special audit.**-(1) The Auditor-General must forthwith after receiving information which may be relevant to an investigation or special audit-

**5. Acceptance or declination of request for an investigation or special audit.**-(1) The Auditor-General must forthwith after receiving information which may be relevant to an investigation or special audit-

- (a) in writing acknowledge receipt thereof;
  - (b) if a person informs the Auditor-General of his or her intention to provide information, render such reasonable assistance as may be required, free of charge, to enable that person to provide the Auditor-General with reliable information;
  - (c) record details of the information received in a register established and maintained for the purposes of investigations or special audit under section 5 (1) (d) of the Act.
- (2) The Auditor-General may require the person providing the information to provide-
- (a) such information in writing;
  - (b) details of the person providing such information;
  - (c) authentication of his, her or its identity;
  - (d) documents or other proof substantiating the information provided;
  - (e) details of the circumstances in respect of which the information is provided;
  - (f) if the person providing the information requests that the information must be treated confidentially, reasons for that request.
- (3) If a decision is made to engage in an investigation or special audit, the complainant or requester must be notified in writing of the decision.
- (4) In the event that the Auditor-General declines to conduct an investigation or special audit, the Auditor-General-
- (a) may refer the information to another organ of state or other body which is better positioned to conduct an investigation or special audit in respect thereof;
  - (b) must in writing inform the complainant or person making the request of that decision, together with-
    - (i) reasons for the decision;
    - (ii) information on other available options in respect of making a complaint or request;
    - (iii) if the complaint or request has been referred to another organ of state or other body in accordance with [paragraph \(a\)](#), the details of that organ of state or other body; and
    - (iv) any other information the Auditor-General deems necessary.
- (5) In the event that information was provided by a person on a confidential basis, the Auditor-General must protect the identity of the person or that information, or relevant parts of it, if-
- (a) required by law;
  - (b) it is in the Auditor-General's opinion in the public interest or in the interests of the investigation or special audit to do so.
- (6) The Auditor-General must report the outcomes of investigations or special audit as provided for in the Act.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Regulations/ GN 526 of 1 April 2019: Material Irregularity Regulations (Government Gazette No. 42368)**

**GN 526 of 1 April 2019: Material Irregularity Regulations  
(Government Gazette No. 42368)**

DEPARTMENT OF AUDITOR-GENERAL OF SOUTH AFRICA

I, Thembekile Makwetu, Auditor-General of South Africa, in terms of [section 52](#) of the Public Audit Act, 2004 (Act [No. 25 of 2004](#)), read together with the respective sections indicated in the regulations below, do hereby make the regulations and annexures set out in the schedule hereto.

**SCHEDULE**

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PART 1  
SHORT TITLE AND DEFINITIONS

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Regulations/ GN 526 of 1 April 2019: Material Irregularity Regulations (Government Gazette No. 42368)/ 1. Short title.-These regulations are the Material Irregularity Regulations.**

**1. Short title.-**These regulations are the Material Irregularity Regulations.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Regulations/ GN 526 of 1 April 2019: Material Irregularity Regulations (Government Gazette No. 42368)/ 2. Definitions.-In these regulations, unless the context indicates otherwise, any word or expression to which a meaning has been assigned in the Public Audit Act, 2004 (Act No. 25 of 2004) has the same meaning, and-**

**2. Definitions.-**In these regulations, unless the context indicates otherwise, any word or expression to which a meaning has been assigned in the Public Audit Act, 2004 (Act [No. 25 of 2004](#)) has the same meaning, and-

"**Act**" means the Public Audit Act, 2004;

"**advisory committee**" means the advisory structure contemplated in section 5 (2) (b) of the Act;

"**certificate of debt**" means a certificate issued in terms of section 5B (1) of the Act;

"**directive**" means a directive contemplated in section 5A (3) of the Act relating to a financial loss;

"**document**" includes any recorded information, regardless of the form or medium thereof;

"**governing legislation**" means any legislation which establishes a public body or which provides for that public body's mandate, functions, powers, rights, duties or obligations;

"**in writing**" includes any electronic means recognised by the Electronic Communications and Transactions Act, 2002 (Act [No. 25 of 2002](#));

"**person**" means a person as defined in [section 2](#) of the Interpretation Act, 1957 (Act [No. 33 of 1957](#)); and

"**public body**" means any organ of state as defined in [section 239](#) of the Constitution of the Republic of South Africa, 1996, and any entity referred to in section 4 (3) of the Act, irrespective of whether that entity is situated in the Republic or elsewhere.

PART 2  
MATERIAL IRREGULARITY

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Regulations/ GN 526 of 1 April 2019: Material Irregularity Regulations (Government Gazette No. 42368)/ 3. Material irregularity.-(1) This Part must be read together with sections 4, 5 (1) (d), 5 (1A), 5A, 20 (4) and 52 (1A) of the Act.**

**3. Material irregularity.**-(1) This Part must be read together with sections 4, 5 (1) (d), 5 (1A), 5A, 20 (4) and 52 (1A) of the Act.

(2) If the Auditor-General in an audit conducted by the Auditor-General suspects or has determined that a material irregularity has or is taking place, he or she must forthwith in writing-

- (a) notify the accounting officer or accounting authority of that auditee, as the case may be, of his or her determination in that regard;
- (b) provide that accounting officer or that accounting authority with any relevant information;
- (c) invite that accounting officer or that accounting authority to within a period stipulated by the Auditor-General make written submissions and provide substantiating documents in respect of the material irregularity or suspected material irregularity on-
  - (i) whether the circumstances which led to the material irregularity or suspected material irregularity that took place have been addressed appropriately and no longer exist;
  - (ii) whether appropriate steps have been taken to address the material irregularity or suspected material irregularity, and the outcomes thereof, if any;
  - (iii) whether, if applicable, appropriate steps have been taken for the prevention of any loss or harm as a result of the material irregularity or suspected material irregularity, or for the recovery of any loss suffered;
  - (iv) whether, if applicable, appropriate steps have been taken against any person responsible for the material irregularity or suspected material irregularity;
  - (v) whether appropriate steps have been taken to prevent a re-occurrence of the material irregularity or suspected material irregularity;
  - (vi) any other relevant issue pertaining to the material irregularity or suspected material irregularity.

(3) If that accounting officer or that accounting authority fails or refuses to make submissions contemplated in [paragraph \(c\)](#) of [subregulation \(2\)](#), or fails to do so within the period stipulated by the Auditor-General, the Auditor-General may proceed on the basis that the accounting officer or accounting authority failed to take appropriate steps to address the material irregularity or the suspected material irregularity.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Regulations/ GN 526 of 1 April 2019: Material Irregularity Regulations (Government Gazette No. 42368)/ 4. Decision on material irregularity.-(1) The Auditor-General, when exercising his or her discretion to determine whether a suspected material irregularity identified during an audit performed under the Act should be referred to a public body for inves**

**4. Decision on material irregularity.**-(1) The Auditor-General, when exercising his or her discretion to determine whether a suspected material irregularity identified during an audit performed under the Act should be referred to a public body for investigation, must take all relevant factors into account, which may include-

- (a) whether the suspected material irregularity is already subject to an investigation by any other public body empowered to do so, or by a court of law;
- (b) whether any other public body is better positioned to investigate the matter and if applicable, to take appropriate actions in accordance with its mandate, functions and powers provided for in law;
- (c) whether the actions taken by the accounting officer or accounting authority were appropriate, adequate and effective, and taken in time to prevent any loss, misuse or harm, or to recoup any loss and to ensure that appropriate steps have been taken or are being taken against the responsible person;
- (d) the actual or suspected involvement of the accounting officer or accounting authority, the executive authority or any other political office bearers in any transaction or circumstance which constitutes or contributes to the material irregularity.

(2) The Auditor-General may include information on a referral made in terms of section 5 (1A) of the Act in the audit report of the relevant auditee.

(3) Without limiting the powers of the Auditor-General, he or she may make recommendations in the audit report in accordance with section 20 (4) of the Act on the actions that the accounting officer or accounting authority ought to take to address a material irregularity or any aspect of a material irregularity which has not been referred to a public body.

(4) The Auditor-General may investigate a material irregularity which was not referred to a public body in accordance with section 5 (1) (d) of the Act.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Regulations/ GN 526 of 1 April 2019: Material Irregularity Regulations (Government Gazette No. 42368)/ 5. Process for referral of suspected material irregularity.-(1) This Part must be read together with sections 5 (1) (d), 5 (1A), 52 (1) and 52 (1A) of the Act.**

**5. Process for referral of suspected material irregularity.-(1)** This Part must be read together with sections 5 (1) (d), 5 (1A), 52 (1) and 52 (1A) of the Act.

(2) The Auditor-General may for purposes of section 5 (1A) of the Act refer a suspected material irregularity to more than one public body for investigation, with each public body investigating the aspects of the suspected material irregularity that falls within its respective mandate.

(3) The Auditor-General, if he or she has decided to refer a suspected material irregularity to a relevant public body for investigation, must submit that referral to that public body in writing, including-

- (a) full details of the background to and the circumstances pertaining to the suspected material irregularity;
- (b) any relevant supporting documents; and
- (c) a request for reporting on progress by the public body at intervals determined by the Auditor-General and to be informed of the outcome of the investigation.

(4) The Auditor-General, if he or she has decided to refer a suspected material irregularity to a public body for investigation, must serve notice of the investigation on the accounting officer or the accounting authority, as the case may be, and, if applicable, on the executive authority of that auditee who must also be provided with sufficient information to explain the purpose and importance of the notice.

(5) A public body to whom the Auditor-General has referred a suspected material irregularity for investigation must forthwith acknowledge receipt of the referral in writing and must after receipt of the referral inform the Auditor-General-

- (a) if the matter does not fall within its mandate provided for in law to conduct the investigation, or its functions or powers will not permit an effective investigation of the referred suspected material irregularity, of those circumstances;
- (b) if it is able to conduct an investigation, of the date when its investigation is to commence.

(6) The Auditor-General may agree with a public body on measures or processes to facilitate the implementation of section 5 (1A) of the Act and this regulation, but such agreement may not be in conflict with the Act, these Regulations or any other applicable legislation.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Regulations/ GN 526 of 1 April 2019: Material Irregularity Regulations (Government Gazette No. 42368)/ 6. Investigation by public body.-(1) A public body to whom the Auditor-General has referred a suspected material irregularity for investigation in accordance with regulation 5 (2), must-**

**6. Investigation by public body.-(1)** A public body to whom the Auditor-General has referred a suspected material irregularity for investigation in accordance with [regulation 5 \(2\)](#), must-

- (a) conduct an investigation and, if applicable, take appropriate action in accordance with its mandate, functions and powers provided for in law;
- (b) on the dates contemplated in [regulation 5 \(3\) \(c\)](#) report on progress to the Auditor-General;
- (c) if delays occur in completing the investigation, timeously in writing inform the Auditor-General of the reasons for the delays;
- (d) if the investigation have been finalised, in writing inform the Auditor-General of the outcome thereof and of any other action taken by that public body in accordance with its governing legislation;
- (e) if further action has been taken, in writing inform the Auditor-General of-
  - (i) the details of any proceedings it has instituted against an auditee or any other person, following the outcome of the investigation; and
  - (ii) the details of the outcomes of any proceedings contemplated in [subparagraph \(i\)](#); and
- (f) in writing inform the Auditor-General of any other matter which may be relevant to the referral.

(2) A public body which has completed an investigation must in addition to its duties referred to in [subregulation \(1\)](#) in accordance with its mandate and powers publish the investigation report or make known its findings, unless legislation provides otherwise, in any manner it deems appropriate in the circumstances or in a manner agreed with the Auditor-General.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Regulations/ GN 526 of 1 April 2019: Material Irregularity Regulations (Government Gazette No. 42368)/ 7. Outcome of investigation.-Without limiting any rights, the Auditor-General may during any subsequent audit of an auditee take the outcome of an investigation by a public body and any action flowing from such an investigation into account to determine**

**7. Outcome of investigation.**-Without limiting any rights, the Auditor-General may during any subsequent audit of an auditee take the outcome of an investigation by a public body and any action flowing from such an investigation into account to determine whether any further actions are required in terms of the Act.

PART 4  
REMEDIAL ACTION

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Regulations/ GN 526 of 1 April 2019: Material Irregularity Regulations (Government Gazette No. 42368)/ 8. Implementation of recommendation in audit report.**-(1) This Part must be read together with sections 5 (1) (d), 5 (1B), 5A, 20 (4), 52 (1) and 52 (1A) of the Act.

**8. Implementation of recommendation in audit report.**-(1) This Part must be read together with sections 5 (1) (d), 5 (1B), 5A, 20 (4), 52 (1) and 52 (1A) of the Act.

(2) If the Auditor-General has made a recommendation in the audit report contemplated in section 20 (4) of the Act relating to a material irregularity, the accounting officer or accounting authority, as the case may be, must within the period stipulated in the audit report for purposes of section 5A (1) of the Act, submit-

- (a) documents to the Auditor-General substantiating the implementation of that recommendation, and any other information that is relevant to the recommendation; or
- (b) if that accounting officer or that accounting authority has failed to implement that recommendation, the reasons for the failure to do so.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Regulations/ GN 526 of 1 April 2019: Material Irregularity Regulations (Government Gazette No. 42368)/ 9. Failure to implement recommendation in audit report.**-(1) Should the accounting officer or accounting authority of an auditee, as the case may be, fail to comply with regulation 8 (2) (a), or fail to implement the recommendation in the audit report t

**9. Failure to implement recommendation in audit report.**-(1) Should the accounting officer or accounting authority of an auditee, as the case may be, fail to comply with [regulation 8 \(2\) \(a\)](#), or fail to implement the recommendation in the audit report to the Auditor-General's satisfaction, the Auditor-General must inform that accounting officer or that accounting authority, and, if applicable, the executive authority of that auditee of-

- (a) the reasons for taking remedial action;
- (b) the remedial action required to be taken by that accounting officer or that accounting authority;
- (c) the timeframe for implementing and reporting on the remedial action; and
- (d) the consequences for failure to implement the remedial action timeously.

(2) If the remedial action referred to in [subregulation \(1\)](#) includes a directive, that directive may provide-

- (a) details of the material irregularity which resulted in the financial loss;
- (b) instructions on the factors to be taken into account when determining the amount of the loss;
- (c) instructions on the time intervals for and the frequency of reporting to the Auditor-General by the accounting officer or accounting authority, as the case may be, on progress in recovering the amount lost;
- (d) information drawing the attention of that accounting officer or that accounting authority to the provisions of section 5B of the Act; and
- (e) for any other matter the Auditor-General deems necessary.

(3) This regulation must not be interpreted so as to prevent the referral of a suspected material irregularity in terms of section 5 (1A) of the Act and in accordance with [Part 3](#).

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Regulations/ GN 526 of 1 April 2019: Material Irregularity Regulations (Government Gazette No. 42368)/ 10. Implementation of remedial action.**-(1) The accounting officer or accounting authority of the auditee, as the case may be, must within the period stipulated by the Auditor-General provide the Auditor-General with documents substantiating-

**10. Implementation of remedial action.**-(1) The accounting officer or accounting authority of the auditee, as the case may be, must within the period stipulated by the Auditor-General provide the Auditor-General with documents substantiating-

- (a) the details of any steps taken to implement the required remedial action;
- (b) the outcome of the remedial action taken;
- (c) if applicable, the factors taken into account when determining the amount of the financial loss in accordance

with the directive, the methodology, process and calculations adopted to determine the amount and the amount so determined; and

(d) if applicable, confirmation that appropriate steps have been taken to recover any amount due to the State.

(2) If that accounting officer or that accounting authority fails or refuses to submit the documents contemplated in [subregulation \(1\)](#), or fails to do so within the period stipulated by the Auditor-General, the Auditor-General may proceed on the basis that the auditee has not implemented the required remedial action.

(3) After receipt of the documents contemplated in [subregulation \(1\)](#), if any, the Auditor-General must-

(a) determine whether the required remedial action has been implemented by that accounting officer or that accounting authority; and

(b) within a reasonable time in writing notify that accounting officer or that accounting authority and, if applicable, the executive authority of that auditee, of his or her determination in this regard.

(4) If that accounting officer or that accounting authority fails to determine the financial loss contemplated in [subregulation \(1\) \(c\)](#) or if the Auditor-General is of the opinion that the financial loss has not been accurately determined, the Auditor-General may itself determine the amount of the financial loss.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Regulations/ GN 526 of 1 April 2019: Material Irregularity Regulations (Government Gazette No. 42368)/ 11. Process for remedial action not involving financial loss.-(1) This Regulation must be read with section 5A (2) and 52 (1) of the Act.**

**11. Process for remedial action not involving financial loss.-(1)** This Regulation must be read with section 5A (2) and 52 (1) of the Act.

(2) If the Auditor-General has determined that the required remedial action has not been implemented by the accounting officer or the accounting authority, as the case may be, but that the material irregularity has not resulted or is not likely to result in a financial loss to the State, the Auditor-General may take further appropriate action, which may include-

(a) notification of the executive authority, relevant legislature or any appropriate body of the failure by the accounting officer or accounting authority to implement the remedial actions;

(b) legal action; or

(c) anything else contemplated in section 5 (2) (c) of the Act.

## PART 5 CERTIFICATE OF DEBT

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Regulations/ GN 526 of 1 April 2019: Material Irregularity Regulations (Government Gazette No. 42368)/ 12. Certificate of debt.-(1) This Part must be read together with sections 5 (2) (b), 5A (3), 5B and 52 (1A) of the Act.**

**12. Certificate of debt.-(1)** This Part must be read together with sections 5 (2) (b), 5A (3), 5B and 52 (1A) of the Act.

(2) For purposes of this Part, "accounting officer" also includes a former accounting officer, and "member of the accounting authority" also includes a former member of the accounting authority.

(3) The Auditor-General must when issuing a certificate of debt where an accounting officer or accounting authority, as the case may be, has failed to comply with remedial action, do so in accordance with the procedures provided for in this Part and in subsections (4), (5) and (6) of section 5B of the Act.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Regulations/ GN 526 of 1 April 2019: Material Irregularity Regulations (Government Gazette No. 42368)/ 13. Notice of consideration by Auditor-General in respect of issuing certificate of debt.-The Auditor-General must when he or she is considering the issuing of a certificate of debt to an accounting officer, accounting authority or individual members of**

**13. Notice of consideration by Auditor-General in respect of issuing certificate of debt.-**The Auditor-General must when he or she is considering the issuing of a certificate of debt to an accounting officer, accounting authority or individual members of an accounting authority, as the case may be, who or which has failed to implement the remedial action contemplated in section 5A of the Act-

(a) give notice to that accounting officer, that accounting authority or those members of that accounting authority that he or she is considering doing so;

(b) inform that accounting officer, that accounting authority or those members of that accounting authority of the reasons for considering the issuing of a certificate of debt;

(c) indicate the amount in respect of which the certificate of debt is to be issued;



- (d) invite that accounting officer, that accounting authority or those members of that accounting authority to submit written representations on the matter to the Auditor-General within 20 days from the date of that notice;
- (e) draw the attention of that accounting officer, that accounting authority or those members of that accounting authority to the provisions of section 5B of the Act;
- (f) if applicable, inform individual members of an accounting authority that each of them may be held personally liable for any loss, jointly and severally; and
- (g) provide any other information the Auditor-General may deem necessary.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Regulations/ GN 526 of 1 April 2019: Material Irregularity Regulations (Government Gazette No. 42368)/ 14. Written representations to be submitted by accounting officer, accounting authority or members of accounting authority.-(1) The accounting officer, accounting authority or individual members of an accounting authority, as the case may be, must with**

**14. Written representations to be submitted by accounting officer, accounting authority or members of accounting authority.**-(1) The accounting officer, accounting authority or individual members of an accounting authority, as the case may be, must within 20 days of the date of the notice submit the written representations contemplated in [regulation 13 \(d\)](#), which may also include documents or information on the material irregularity which had not previously been submitted to the Auditor-General.

(2) In the event that that accounting officer, that accounting authority or those members of that accounting authority fail to submit written representations contemplated in [subregulation \(1\)](#), or fail to do so within the stipulated period, the Auditor-General may proceed on the basis that that accounting officer, that accounting authority or those members of that accounting authority have no objection to the issuing of a certificate of debt.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Regulations/ GN 526 of 1 April 2019: Material Irregularity Regulations (Government Gazette No. 42368)/ 15. Invitation to make oral representation.-(1) After consideration of the written representations submitted by the accounting officer, the accounting authority or the individual members of an accounting authority, as the case may be, if any, the Audit**

**15. Invitation to make oral representation.**-(1) After consideration of the written representations submitted by the accounting officer, the accounting authority or the individual members of an accounting authority, as the case may be, if any, the Auditor-General must within a reasonable time in writing inform that accounting officer, that accounting authority or those members of that accounting authority of the outcome of the assessment of the representations contemplated in [regulation 14 \(1\)](#), indicating-

- (a) whether or not the Auditor-General is still considering issuing a certificate of debt; and
- (b) if he or she is still considering issuing a certificate of debt, the reasons for his or her decision.

(2) In the event that the Auditor-General after consideration of the written representations contemplated in [regulation 14 \(1\)](#) is still considering issuing a certificate of debt, he or she must in writing issue an invitation to that accounting officer, that accounting authority or those members of that accounting authority to make oral representations to an advisory committee established in terms of section 5 (2) (b) of the Act-

- (a) providing details of the arrangements for the date and venue of the oral representation; and
- (b) indicating the date by which that accounting officer, that accounting authority or those members of that accounting authority have to notify the Auditor-General of his, her, their or its intention to make oral representations.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Regulations/ GN 526 of 1 April 2019: Material Irregularity Regulations (Government Gazette No. 42368)/ 16. Advisory committee.-(1) If the accounting officer, the accounting authority or individual members of an accounting authority, as the case may be, have indicated that he, she or it intends to make oral representations as contemplated in section 5B (**

**16. Advisory committee.**-(1) If the accounting officer, the accounting authority or individual members of an accounting authority, as the case may be, have indicated that he, she or it intends to make oral representations as contemplated in section 5B (5) (a) of the Act, the Auditor-General must in terms of section 5 (2) (b) of the Act appoint an advisory committee for purposes of a hearing on oral representations.

(2) The advisory committee must consist of-

- (a) a person in possession of a South African law degree or a law degree recognised in South Africa, who is the chairperson of the advisory committee;
- (b) an auditor registered in terms of the Auditing Profession Act, 2005 (Act [No. 26 of 2005](#)); and
- (c) any other person or persons the Auditor-General in his or her sole discretion deems necessary.

(3) The members of the advisory committee are appointed and remunerated in accordance with the terms and conditions determined by the Auditor-General.

(4) Any person who in principle agrees to his or her appointment to an advisory committee must before his or her formal appointment by the Auditor-General, and prior to each hearing, declare any potential conflicts of interest.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Regulations/ GN 526 of 1 April 2019: Material Irregularity Regulations (Government Gazette No. 42368)/ 17. Oral representations.-(1) The hearing on the oral representations must be conducted in accordance with applicable law and the rules of natural justice.**

**17. Oral representations.**-(1) The hearing on the oral representations must be conducted in accordance with applicable law and the rules of natural justice.

(2) The Auditor-General must timeously provide-

- (a) the members of the advisory committee with all relevant information pertaining to the matter; and
- (b) the accounting officer, the accounting authority or the individual members of an accounting authority, as the case may be, with any documents not yet provided to him, her, them or it, or which cannot reasonably be expected to be in his, her, their or its possession.

(3) Subject to [subregulation \(1\)](#), no employee of the Auditor-General or any other person may prior to the hearing on oral representations brief or otherwise interact with the advisory committee on the merits of the matter to be heard by it.

(4) During the hearing on the oral representations the accounting officer, accounting authority or the individual members of the accounting authority have the right to legal representation at his, her, its or their own expense.

(5) The members of the advisory committee may subject to directions by the chairperson of that committee ask any question or require explanations in respect of any issue relevant to the matter before the advisory committee.

(6) Subject to the direction of the chairperson of the advisory committee, that accounting officer, that accounting authority or those members of that accounting authority may submit written documents which may not previously have been included in the written submissions contemplated in [regulation 13 \(d\)](#).

(7) Employees of the Auditor-General may in the sole discretion of the chairperson of the advisory committee attend the hearing on the oral representation, but such employees may not speak or submit any documents to the advisory committee, unless the chairperson of the advisory committee in his or her sole discretion permits otherwise.

(8) The Auditor-General must provide devices for an audio recording of the hearing, and the Auditor-General must upon written request by that accounting officer, that accounting authority or those members of that accounting authority in question forthwith and at no cost provide a copy of the recording of the hearing to that accounting officer, that accounting authority or those members of that accounting authority.

(9) If that accounting officer, that accounting authority or those members of that accounting authority fail or refuse to attend a hearing on oral representations, the advisory committee must in writing report that fact to the Auditor-General and the Auditor-General may proceed on the basis that that accounting officer, that accounting authority or those members of that accounting authority have abandoned his, her, their or its right to make oral representations.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Regulations/ GN 526 of 1 April 2019: Material Irregularity Regulations (Government Gazette No. 42368)/ 18. Consideration of oral representations by advisory committee and report to Auditor-General.-(1) The advisory committee must, when considering the oral representations contemplated in regulation 17, take into account-**

**18. Consideration of oral representations by advisory committee and report to Auditor-General.**-(1) The advisory committee must, when considering the oral representations contemplated in [regulation 17](#), take into account-

- (a) all information provided to it by the Auditor-General prior to the hearing of the oral representations;
- (b) the oral representations made by the accounting officer, the accounting authority or the individual members of an accounting authority, as the case may be, and any document submitted by that accounting officer, that accounting authority or those members of that accounting authority;
- (c) any norms and standards determined by the Auditor-General for this purpose, if any;
- (d) any applicable law; and
- (e) any other relevant factors.

(2) The advisory committee must within a period determined in writing by the Auditor-General submit its findings and recommendations to the Auditor-General on the oral representations made by that accounting officer, that accounting authority or those members of that accounting authority for consideration by the Auditor-General.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Regulations/ GN 526 of 1 April 2019: Material Irregularity Regulations (Government Gazette No. 42368)/ 19. Issuing certificate of debt.-(1) For purposes of this regulation and regulation 20, "accounting authority" means every person who was a member of the accounting authority during the period when the remedial action should have been implemented, and**

**19. Issuing certificate of debt.**-(1) For purposes of this regulation and [regulation 20](#), "accounting authority" means every person who was a member of the accounting authority during the period when the remedial action should have been implemented, and such person is jointly and severally liable for the payment of an amount determined in terms of any applicable law.

(2) The Auditor-General must within a reasonable period-

- (a) consider the findings and recommendations of the advisory committee contemplated in [regulation 18 \(2\)](#); and
- (b) in terms of section 5B (1) of the Act but subject to [subregulation \(3\)](#), take a decision in respect of issuing a certificate of debt to the accounting officer or the individual members of that accounting authority, as the case may be.

(3) If applicable, the Auditor-General must when taking the decision contemplated in [subregulation \(2\) \(b\)](#) disregard the fact that a person who was an employee of the auditee or a member of the accounting authority, as the case may be, during the period when the remedial action should have been implemented, at the time of taking that decision no longer is such an employee or member.

(4) The Auditor-General must within a reasonable period and in writing inform that accounting officer or those members of that accounting authority of his or her decision on the issuing of the certificate of debt.

(5) If the Auditor-General has decided to issue the certificate of debt, he or she must-

- (a) in accordance with section 5B (1) of the Act, cause the certificate of debt to be served on that accounting officer or those members of that accounting authority; and
- (b) in accordance with section 5B (2) of the Act, cause a copy of the certificate of debt to be served on the executive authority of the auditee,

together with-

- (i) reasons for his or her decision; and
  - (ii) the date by when or intervals when that executive authority must in writing inform the Auditor-General of progress in complying with or executing the certificate of debt.
- (6) The certificate of debt contemplated in [subregulation \(5\)](#)-
- (a) must be in the form provided for in the [Annexure](#);
  - (b) must be signed by the person appointed as Auditor-General.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Regulations/ GN 526 of 1 April 2019: Material Irregularity Regulations (Government Gazette No. 42368)/ 20. Collection of amount specified in certificate of debt.-(1) The accounting officer or members of the accounting authority specified in the certificate of debt must pay the amount stipulated in that certificate of debt to the State.**

**20. Collection of amount specified in certificate of debt.**-(1) The accounting officer or members of the accounting authority specified in the certificate of debt must pay the amount stipulated in that certificate of debt to the State.

(2) The executive authority contemplated in section 5B (2) must within a period stipulated by the Auditor-General and thereafter at regular intervals as stipulated by the Auditor-General in the certificate of debt in writing submit progress reports to the Auditor-General on the recovery of the amount specified in the certificate of debt.

(3) If the executive authority fails to comply with [subregulation \(2\)](#) or if inadequate progress is made with the recovery of the amount, the Auditor-General must in writing inform that executive authority of his or her intention to report that failure to the relevant legislature.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Regulations/ GN 526 of 1 April 2019: Material Irregularity Regulations (Government Gazette No. 42368)/ ANNEXURE CERTIFICATE OF DEBT**

#### ANNEXURE CERTIFICATE OF DEBT

Issued in terms of [section 5B \(1\)](#) of the Public Audit Act, 2004 (Act [No. 25 of 2004](#))

1. I, the undersigned  
Auditor-General of the Republic of South Africa, hereby issue this Certificate of Debt in terms of section 5B (1) of the Public Audit Act, 2004, in respect of the debtor and for the amount specified in this Certificate.
2. Full names of debtor:  
  
Identity number (if available):
3. Amount of debt:  
R  
(in words)

together with interest applicable to the period between 30 days after this Certificate has been served on the debtor and the date of full payment of the debt due.

4. Details of material irregularity: (if empty see attached [annexure](#))

5. The executive authority responsible for the auditee in respect of which the material irregularity referred to in paragraph 4 of this Certificate has taken place must in accordance with section 5B (2) of the Public Audit Act, 2004, collect the amount specified in paragraph 3 of this Certificate from the debtor referred to in paragraph 2 of this Certificate. The relevant executive authority must in terms of section 5B (3) of the Public Audit Act, 2004, keep me informed of progress made in collecting the amount due on or before

and thereafter at least every three months until the debt is paid in full, failing which the matter will be reported to the relevant legislature.

SIGNED this \_\_\_\_\_ day of \_\_\_\_\_ 20  
at \_\_\_\_\_

Signature:

Name:

Auditor-General of the Republic of South Africa

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Regulations/ GN 527 of 1 April 2019: Regulations on Audits by Auditors in Private Practice (Government Gazette No. 42368)**

**GN 527 of 1 April 2019: Regulations on Audits by Auditors in Private Practice  
(Government Gazette No. 42368)**

DEPARTMENT OF AUDITOR-GENERAL OF SOUTH AFRICA

I, Thembekile Makwetu, Auditor-General of South Africa, in terms of [section 52 \(1\)](#) of the Public Audit Act, 2004 (Act [No. 25 of 2004](#)), read together with sections 4 (3), 13, 23 and Part 2 of Chapter 3 of the Act, do hereby make the regulations set out in the schedule hereto.

**SCHEDULE**

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**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Regulations/ GN 527 of 1 April 2019: Regulations on Audits by Auditors in Private Practice (Government Gazette No. 42368)/ 1. Short title.-These regulations are the regulations on audits by Auditors in Private Practice.**

- 1. Short title.-**These regulations are the regulations on audits by Auditors in Private Practice.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Regulations/ GN 527 of 1 April 2019: Regulations on Audits by Auditors in Private Practice (Government Gazette No. 42368)/ 2. Definitions.-In these regulations, unless the context indicates otherwise, any word or expression to which a meaning has been assigned in the Public Audit Act, 2004 (Act No. 25 of 2004) has the same meaning, and-**

- 2. Definitions.-**In these regulations, unless the context indicates otherwise, any word or expression to which a meaning has been assigned in the Public Audit Act, 2004 (Act [No. 25 of 2004](#)) has the same meaning, and-

**"Act"** means the Public Audit Act, 2004;

**"all relevant criteria"** means any information that the Auditor-General deems necessary to make a determination for purposes of section 4 (3) of the Act;

**"Auditor-General"** in the sense of an individual contemplated in paragraph (b) of the definition of Auditor-General in section 1 of the Act, includes any employee of the Auditor-General as institution, designated in writing by the individual appointed as Auditor-General to exercise the powers stipulated in such designation for purposes of these Regulations;

**"engagement partner"** means the individual in the private audit practice who is responsible for the engagement and its performance, and for the report that is issued on behalf of that practise, and who, where required, has the appropriate authority from a professional, legal or regulatory body;

**"Independent Regulatory Board of Auditors"** means the regulatory board contemplated in [section 3 \(1\)](#) of the Auditing Profession Act, 2005 (Act [No. 26 of 2005](#));

**"institution"** means an institution contemplated in paragraphs (a) and (b) of section 4 (3); and

**"in writing"** includes any electronic means recognised by the Electronic Communications and Transactions Act, 2002 (Act [No. 25 of 2002](#)), and "written" has a similar meaning.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Regulations/ GN 527 of 1 April 2019: Regulations on Audits by Auditors in Private Practice (Government Gazette No. 42368)/ 3. Criteria on audits by auditors in private practice audits.-(1) This regulation must be read with sections 4 (3) and 52 (1A) (a) of the Act.**

**3. Criteria on audits by auditors in private practice audits.-(1)** This regulation must be read with sections 4 (3) and 52 (1A) (a) of the Act.

(2) For purposes of section 4 (3) of the Act, the Auditor-General must take all relevant criteria into account, which may include-

- (a) the level of public interest in the affairs of an institution;
- (b) an institution's role, nature, size and mandate;
- (c) the risk and impact posed by an institution to the fiscus;
- (d) an institution's leadership structure, functionality and stability;
- (e) an institution's previous audit outcomes; and
- (f) the effort required to perform an audit at an institution and the availability of appropriate resources within the Auditor-General to perform the prospective audit engagement.

(3) The Auditor-General must by applying the criteria contemplated in [subregulation \(2\)](#) determine the institutions where the Auditor-General will perform an audit by utilising its own resources or a combination of its own resources and that of auditors in private practice, and institutions where the Auditor-General will not perform an audit but where the audit will be conducted by auditors in private practice, but if new information comes to the attention of the Auditor-General after having made such a determination, the Auditor-General may after applying the criteria contemplated in [subregulation \(2\)](#) change that determination.

(4) The Auditor-General must prior to the commencement of a financial year of institutions contemplated in section 4 (3) of the Act timeously and in writing notify those institutions of its decision contemplated in [subregulation \(3\)](#).

(5) If the Auditor-General has not given the notice contemplated in [subregulation \(4\)](#) to the effect that the Auditor-General itself will conduct an audit of that institution, that institution must commence the process of appointing an auditor in private practice in terms of section 25 (1) (b) of the Act.

(6) If the Auditor-General has under section 4 (3) of the Act decided not to perform an audit, the institution and the auditor in private practice appointed in terms of section 25 (1) (b) of the Act must comply with all the provisions and conditions of the determination made by the Auditor-General through a directive issued for this purpose.

(7) If the Auditor-General has under section 4 (3) of the Act decided to perform an audit, it must determine-

- (a) the appropriate audit fee recoverable in respect of performing that audit; and
- (b) if applicable as determined by the Auditor-General, the approach to phase-in that audit, taking into account the transitional period during which the previously appointed auditor in private practice performs an audit and prepares to hand over the audit to the Auditor-General.

(8) The Auditor-General may for purposes of subregulation 7 (b)-

- (a) second resources to the audit being performed by an auditor in private practice, to gain knowledge and understanding of the audit, the institution and its environment, or to manage any risk that may be of concern to the Auditor-General;
- (b) determine the terms and recovery of the secondment fee in conjunction with the institution and the auditor in private practice;
- (c) require the auditor in private practice to provide access to all activities and information forming part of the audit performed by that auditor in private practice.

(9) For the avoidance of doubt, if the Auditor-General under subregulation 8 (a) seconds resources to an audit performed by a previously appointed auditor in private practice, those resources are not deemed to be engagement

partners, and that auditor in private practice remains fully accountable, responsible and in control in respect of that audit despite the presence and access of resources of the Auditor-General or of other persons designated by the Auditor-General, unless the Auditor-General in writing determines otherwise.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Regulations/ GN 527 of 1 April 2019: Regulations on Audits by Auditors in Private Practice (Government Gazette No. 42368)/ 4. Appointment of auditor in private practice.-(1) This regulation must be read with sections 4 (3), 25 and 52 (1) of the Act.**

**4. Appointment of auditor in private practice.**-(1) This regulation must be read with sections 4 (3), 25 and 52 (1) of the Act.

(2) If the Auditor-General has under section 4 (3) of the Act decided not to perform the audit of an institution contemplated in that section-

- (a) that institution must timeously before the commencement of that audit and not later than the commencement of that institution's financial year, by public procurement and in accordance with its supply chain management policy and process, subject to [paragraph \(b\)](#), select an auditor in private practice registered with the Independent Regulatory Board of Auditors;
- (b) that institution must, prior to appointment of that auditor in private practice by the board or executive authority of that institution and not later than the commencement of that institution's financial year, in writing notify the Auditor-General of the name of the selected auditor in private practice and provide all information required by the Auditor-General as provided in a directive issued by the Auditor-General for this purpose; and
- (c) the Auditor-General must within 14 days of receiving the notification from the institution, or such longer period as may be agreed to, review and in writing notify the institution of its consent or otherwise to such appointment, together with any conditions it may determine.

(3) If the Auditor-General consents to the appointment of the auditor in private practice selected by the institution, the institution must-

- (a) inform the auditor in private practice of his, her or its appointment, together with any conditions determined by the Auditor-General; and thereafter;
- (b) together with that auditor in private practice, notify the Auditor-General of the appointment of that auditor in private practice, and acknowledge the conditions subject to which that appointment is made.

(4) If the Auditor-General rejects the appointment of the auditor in private practice selected by the institution-

- (a) the Auditor-General must in the notice contemplated in [subregulation \(2\) \(c\)](#) provide reasons to the institution for that decision;
- (b) the institution may within 14 days of receiving such reasons make written representations to the Auditor-General detailing the mitigations that will be put in place to address the Auditor-General's concerns identified in the reasons provided; and
- (c) the Auditor-General must within 14 days of receiving such written representations in writing notify the institution of its decision to consent or not to consent to the appointment of the auditor in private practice selected by the institution.

(5) If the Auditor-General after implementation of the process contemplated in [subregulation \(4\)](#) rejects the appointment of the auditor in private practice selected by the institution, the institution must-

- (a) with the necessary changes to the periods required, recommence the process contemplated in [subregulation \(2\) \(a\)](#), to select another auditor in private practice; or
- (b) consider the appointment of the next qualifying auditor in private practice identified during the procurement process contemplated in [subregulation \(2\) \(a\)](#).

(6) An appointment in terms of section 25 (1) (b) of the Act-

- (a) may not exceed a period of one financial year of an auditee;
- (b) is annually renewable for a period not exceeding five years from the date of first appointment, subject to the institution obtaining the Auditor-General's consent to the re-appointment of the auditor in private practice prior to the commencement of the relevant audit and not later than the commencement of the institution's financial year.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Regulations/ GN 527 of 1 April 2019: Regulations on Audits by Auditors in Private Practice (Government Gazette No. 42368)/ 5. Withdrawal of consent by Auditor-General.-(1) This regulation must be read with section 52 (1) of the Act.**

**5. Withdrawal of consent by Auditor-General.**-(1) This regulation must be read with section 52 (1) of the Act.

(2) The Auditor-General may subject to [subregulation \(3\)](#) before the expiry of the term of appointment of an auditor in private practice by an institution in terms of section 25 (1) (b) of the Act withdraw its consent to that appointment.

(3) If the Auditor-General intends to withdraw its consent to the appointment of an auditor in private practice in terms of section 25 (1) (b) of the Act, he or she must-

- (a) in writing simultaneously notify the auditor in private practice and the institution of his or her intention to do so, together with reasons?
  - (b) afford the auditor in private practice and the institution an opportunity to within 20 days of receipt of the notification to submit written representations to the Auditor-General; and
  - (c) after consideration of written representations, if any, in writing notify the auditor in private practice and the relevant institution of its decision, and if it is withdrawing its consent, the reasons for his or her decision.
- (4) The Auditor-General may consult with the institution and the auditor in private practice on the nature and process of the withdrawal before withdrawing its consent, and the institution and the auditor in private practice must forthwith provide all information requested by the Auditor-General in writing.
- (5) If the Auditor-General has withdrawn its consent to the appointment of an auditor in private practice-
- (a) during the period when the audit is being performed, the auditor in private practice must complete that audit, unless the Auditor-General in writing determines otherwise; and
  - (b) subject to [subregulation 4 \(a\)](#), the institution must commence with the appointment of another auditor in private practice in terms of section 25 (1) (b) of the Act and in accordance with [Regulation 4](#).
- (6) The Auditor-General must report the withdrawal of consent to an appointment in terms of section 25 (1) (b) of the Act to-
- (a) the relevant legislature; and
  - (b) the Independent Regulatory Board of Auditors.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Regulations/ GN 527 of 1 April 2019: Regulations on Audits by Auditors in Private Practice (Government Gazette No. 42368)/ 6. Discharge of auditor in private practice.-(1) This regulation must be read with sections 26 and 52 (1) of the Act.**

**6. Discharge of auditor in private practice.-(1)** This regulation must be read with sections 26 and 52 (1) of the Act.

(2) If the Auditor-General has under section 4 (3) of the Act decided not to perform the audit of an institution contemplated in that section and that institution has appointed an auditor in private practice in terms of section 25 (1) (b) of the Act, that institution may discharge that auditor in private practice only if-

- (a) that institution has in writing informed the auditor in private practice of its intention to discharge that auditor in private practice and has provided reasons for its decision;
- (b) that institution has in writing informed the Auditor-General and, if applicable, also that institution's executive authority of its intention to discharge that auditor in private practice and of the reasons for its decision;
- (c) that institution has in writing informed the auditor in private practice of his, her or its right to submit written representations to the Auditor-General within 20 days of receipt of the institution's notice; and
- (d) if applicable, that institution's executive authority has in writing consented to such discharge.

(3) The Auditor-General may consult with the institution, the auditor in private practice being discharged and, if applicable, the executive authority of that institution, on the nature and process of the discharge before giving his or her consent to the discharge, and that institution, that executive authority and that auditor in private practice must forthwith in writing provide any information required by the Auditor-General.

(4) If applicable, the executive authority of the institution must within 14 days of receipt of a request by the Auditor-General in writing inform the Auditor-General of his or her decision in respect of giving consent to the discharge requested by the institution.

(5) If the Auditor-General declines to consent to the discharge of the auditor in private practice, it must forthwith after taking that decision in writing inform the institution, the auditor in private practice and, if applicable, the executive authority of that institution of its decision and the reasons for that decision.

(6) If the institution intends to discharge an auditor in private practice during the period when the audit is being performed, the auditor in private practice must complete that audit unless the Auditor-General in writing determines otherwise.

(7) If the Auditor-General and, if applicable, the executive authority of the institution have consented to the discharge of the auditor in private practice, the institution must commence with the process of appointing an auditor in private practice in terms of section 25 (1) (b) of the Act and in accordance with [Regulation 4](#).

(8) The Auditor-General must report any discharge of an auditor in private practice in terms of section 26 (1) of the Act to-

- (a) the relevant legislature; and
- (b) the Independent Regulatory Board of Auditors.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Regulations/ GN 527 of 1 April 2019: Regulations on Audits by Auditors in Private Practice (Government Gazette No. 42368)/ 7. Resignation by auditor in private practice.-(1) This regulation must be read with section 52 (1) of the Act.**

**7. Resignation by auditor in private practice.**-(1) This regulation must be read with section 52 (1) of the Act.

(2) If the Auditor-General has under section 4 (3) of the Act decided not to perform the audit of an institution contemplated in section 4 (3), and that institution appointed an auditor in private practice in terms of section 25 (1) (b) of the Act, that auditor in private practice may resign from that audit only if the auditor in private practice has in writing informed that institution as well as the Auditor-General and, if applicable, also that institution's executive authority of his, her or its intention to resign from the audit and has provided reasons for his, her or its decision.

(3) The Auditor-General may consult with the institution, the auditor in private practice who intends to resign from the audit and, if applicable, the executive authority of that institution, on the nature and process of the resignation, and both the institution and that auditor in private practice must forthwith provide any information required by the Auditor-General.

(4) Upon resignation of the auditor in private practice, unless determined otherwise by the Auditor-General, the institution must commence with the process of appointing another auditor in private practice in terms of section 25 (1) (b) of the Act and in accordance with [Regulation 4](#).

(5) The Auditor-General may report any resignation by an auditor in private practice to the relevant legislature and to the Independent Regulatory Board of Auditors.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Regulations/ GN 443 of 1 April 2020: Audit Fees Regulations (Government Gazette No. 43194)**

**GN 443 of 1 April 2020: Audit Fees Regulations  
(Government Gazette No. 43194)**

AUDITOR-GENERAL OF SOUTH AFRICA

I, Thembekile Makwetu, Auditor-General of South Africa, in terms of [section 52 \(1\)](#) of the Public Audit Act, 2004 (Act [No. 25 of 2004](#)), read together with sections 13 and 23 of the Act, do hereby make the regulations set out in the schedule hereto.

**SCHEDULE**

TABLE OF REGULATIONS

<a href="#">1.</a>	Short title
<a href="#">2.</a>	Definitions
<a href="#">3.</a>	Process to consult National Treasury on the frequency, nature and scope of audits and the basis for determination of audit fees
<a href="#">4.</a>	Notification of treasury by Auditor-General on default by auditee to pay audit fees
<a href="#">5.</a>	Submission by Auditor-General on treasury's proposed directive to defray audit fees from budget
<a href="#">6.</a>	Notification of Auditor-General by National Treasury on auditee experiencing financial difficulty to pay audit fee excess
<a href="#">7.</a>	Publication of agreement

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Regulations/ GN 443 of 1 April 2020: Audit Fees Regulations (Government Gazette No. 43194)/ 1. Short title.- These regulations are the Audit Fees Regulations.**

**1. Short title.**-These regulations are the Audit Fees Regulations.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Regulations/ GN 443 of 1 April 2020: Audit Fees Regulations (Government Gazette No. 43194)/ 2. Definitions.-In these regulations, unless the context indicates otherwise, any word or expression to which a meaning has been assigned in the Public Audit Act, 2004 (Act No. 25 of 2004) has the same meaning, and-**

**2. Definitions.**-In these regulations, unless the context indicates otherwise, any word or expression to which a meaning has been assigned in the Public Audit Act, 2004 (Act [No. 25 of 2004](#)) has the same meaning, and-

"Act" means the Public Audit Act, 2004; and

"in writing" includes any electronic means recognised by the Electronic Communications and Transactions Act, 2002 (Act [No. 25 of 2002](#)).

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Regulations/ GN 443 of 1 April 2020: Audit Fees Regulations (Government Gazette No. 43194)/ 3. Process to consult National Treasury on the frequency, nature and scope of audits and the basis for determination of audit fees.-**



**(1) The Auditor-General must, in accordance with subregulations (2) and (3)-**

**3. Process to consult National Treasury on the frequency, nature and scope of audits and the basis for determination of audit fees.**-(1) The Auditor-General must, in accordance with [subregulations \(2\)](#) and [\(3\)](#)-

- (a) in respect of the frequency, nature and scope of audits referred to in section 11 of the Act, annually by the first day of July; and
- (b) in respect of the basis for the calculation of audit fees to be recovered from auditees in respect of audits referred to in section 11 of the Act, whenever he or she deems it necessary,

invite the National Treasury to make submissions to him or her for purposes of the financial year commencing on 1 April of the subsequent year.

(2) For purposes of the matters contemplated in [subregulation \(1\) \(a\)](#), the Auditor-General must provide the National Treasury with relevant information, which may include-

- (a) information on the frequency, nature and scope of audits referred to in section 11 of the Act he or she proposes to determine;
- (b) information on the different categories of audits the Auditor-General proposes to determine for purposes of section 13 (3) (a) of the Act, if any;
- (c) information on any specific directives the Auditor-General proposes to issue in respect of any specific case for purposes of section 13 (3) (b) of the Act, if any;
- (d) the list of auditees, identified by the Auditor-General in accordance with section 23 (6) of the Act, whose audit fee exceeds one percent of the total current and capital expenditure of such auditee for the relevant financial year;
- (e) the Auditor-General's views in respect of an auditee's ability to settle its audit fees;
- (f) the motivation underlying the Auditor-General's proposed determinations.

(3) For purposes of the matters contemplated in [subregulation \(1\) \(b\)](#), the Auditor-General must provide the National Treasury with relevant information, including a draft of the document detailing the basis for the calculation of audit fees to be recovered from auditees in respect of audits referred to in section 11 of the Act.

(4) The National Treasury must provide its submission, if any, to the Auditor-General-

- (a) in respect of the matters contemplated in [subregulation \(1\) \(a\)](#), by the first day of every August;
- (b) in respect of the matters contemplated in [subregulation \(1\) \(b\)](#), by the date stipulated by the Auditor-General.

(5) In the event that the National Treasury has not provided any submission as contemplated in [subregulation \(4\)](#), the Auditor-General must proceed with his or her determination on the basis that the National Treasury has no objection to the proposed determination.

(6) The Auditor-General may only consult the oversight mechanism, as contemplated in sections 13 (1) and 23 (1) of the Act, after completion of the process contemplated in this regulation.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Regulations/ GN 443 of 1 April 2020: Audit Fees Regulations (Government Gazette No. 43194)/ 4. Notification of treasury by Auditor-General on default by auditee to pay audit fees.-The Auditor-General must when an auditee fails to pay the full amount of the audit fees determined by the Auditor-General by the date determined by the Auditor-Gener**

**4. Notification of treasury by Auditor-General on default by auditee to pay audit fees.**-The Auditor-General must when an auditee fails to pay the full amount of the audit fees determined by the Auditor-General by the date determined by the Auditor-General, in writing and within 30 days of that auditee failing to pay such amount inform the National Treasury in writing and, when applicable, the relevant provincial treasury, thereof and provide the National Treasury and the relevant provincial treasury with any information relevant to the matter.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Regulations/ GN 443 of 1 April 2020: Audit Fees Regulations (Government Gazette No. 43194)/ 5. Submission by Auditor-General on treasury's proposed directive to defray audit fees from budget.-(1) If the National Treasury or the relevant provincial treasury, as the case may be, is in accordance with section 23 (5) of the Act considering the de**

**5. Submission by Auditor-General on treasury's proposed directive to defray audit fees from budget.**-(1) If the National Treasury or the relevant provincial treasury, as the case may be, is in accordance with section 23 (5) of the Act considering the desirability of directing that audit fees recoverable from an auditee, other than a national or provincial department, must be defrayed from a vote on the national or a provincial budget, that treasury must prior to issuing such a directive-

- (a) provide the Auditor-General with relevant information; and
- (b) invite the Auditor-General to make submissions on the desirability of issuing such a directive.

(2) In the event that the Auditor-General has not provided any submission as contemplated in [paragraph \(b\)](#) of

[subregulation \(1\)](#), the relevant treasury may proceed with its consideration of a directive on the basis that the Auditor-General has no objection to the proposed determination.

(3) In the event that a treasury issues a directive that the audit fees in question must be defrayed from a vote on the national or a provincial budget, that treasury must forthwith in writing inform the Auditor-General and the auditee of that decision.

(4) In the event that a provincial treasury issues a directive that the audit fees in question must be defrayed from a vote in a provincial budget, that treasury must forthwith in writing inform the National Treasury and the auditee of that decision.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Regulations/ GN 443 of 1 April 2020: Audit Fees Regulations (Government Gazette No. 43194)/ 6. Notification of Auditor-General by National Treasury on auditee experiencing financial difficulty to pay audit fee excess.-In the event that the audit fee of an auditee, other than a department as defined in section 1 of the Public Finance Management**

**6. Notification of Auditor-General by National Treasury on auditee experiencing financial difficulty to pay audit fee excess.**-In the event that the audit fee of an auditee, other than a department as defined in [section 1](#) of the Public Finance Management Act, 1999 (Act [No. 1 of 1999](#)), exceeds one percent of the total current and capital expenditure of such auditee for the relevant financial year, and the National Treasury-

- (a) was consulted by the Auditor-General as contemplated in subsection 23 (6) (b) (i) of the Act; and
- (b) is of the opinion that the auditee has financial difficulty to pay such excess,

the National Treasury must at least one month prior to the commencement of a financial year of that auditee in writing inform the Auditor-General of its opinion in respect of that auditee.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Regulations/ GN 443 of 1 April 2020: Audit Fees Regulations (Government Gazette No. 43194)/ 7. Publication of agreement.-The Auditor-General must forthwith after-**

**7. Publication of agreement.**-The Auditor-General must forthwith after-

- (a) the conclusion of an agreement as contemplated in section 23 (7) (a) of the Act on the annual date of consultation, the determination of criteria to be applied to determine whether an auditee has financial difficulty and the approval of the process to determine an estimate of the funds required as a direct charge for audit fees; or
- (b) the determination made by the oversight mechanism as contemplated in section 23 (7) (b) of the Act,

publish such agreement, determination or approval, or any subsequent amendment thereof, for general information in the *Gazette*.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Notices/ GN 503 of 31 March 2005: Announcement**

**GN 503 of 31 March 2005: Announcement**

PUBLIC AUDIT ACT, 2004

Under the powers vested in me by [section 2](#) of the Public Audit Act, 2004 (Act [No. 25 of 2004](#)) (PAA), I, Shauket Fakie, Auditor-General of South Africa hereby announce that-

- . The President assented to the act on 14 December 2004, which takes effect from 1 April 2004, and has been published in *Government Gazette* No. 27121 dated 20 December 2004.
- . The office finalised the scope of a study of the impact of the PAA on the operations of the AG and is currently busy addressing potential gaps between the PAA and the now repealed Auditor-General Act, [No. 12 of 1995](#), Audit Arrangements Act, [No. 122 of 1992](#) and the applicable sections of the Public Finance Management Act, [No. 1 of 1999](#),
- . All auditees and audit firms are hereby notified in terms of [section 25 \(1\) \(a\)](#) of the PAA that, unless otherwise advised prior to this announcement, I have opted not to perform any audits of institutions referred to in [section 4 \(3\)](#) of the PAA for the 2005-06 financial year. Therefore all auditees may proceed to appoint their own auditors or continue with their existing arrangements only for the 2005-06 financial year.
- . In cases where the AG has opted not to perform any audits of institutions referred to in [section 4 \(3\)](#), the auditors thus appointed in private practice should, where applicable, take cognisance of their duties as contained in chapter 3, part 2 of the PAA in terms of their functions and powers.

For the office of the Auditor-General to comply with the PAA in the interim, I issued a directive dated 17 January 2005 that encapsulates the following transitional arrangements until further notice:

1. All current auditing standards, as well as the nature and scope of audits as performed in terms of the repealed Auditor-General Act, 1995 and Audit Arrangements Act, 1992, must be applied until new standards are set in terms of [section 11](#) of the new PAA.

2. The office's current "delegations of powers and duties" will remain unchanged.

3. The current administration of the office will remain unchanged unless otherwise advised.

4. All audits that had commenced prior to 20 December 2004 are deemed to be performed in terms of the PAA and all audit reports signed off after 20 December 2004 should include a nature and scope paragraph that refers to [sections 13](#) and [20](#) of the PAA as well as the AG directive. However, all audit reports already signed off after 20 December 2004 and before the date of this directive are deemed to be finalised.

5. All audit assignments commencing after 20 December 2004 must be performed in terms of the new PAA and the directive.

S A FAKIE  
Auditor-General

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Notices/ GN 1512 of 27 October 2006: Auditing of Local Government in terms of the Municipal Finance Management Act (No. 56 of 2003) (MFMA)**

**GN 1512 of 27 October 2006: Auditing of Local Government in terms of the Municipal Finance Management Act (No. 56 of 2003) (MFMA)**

THE AUDITOR-GENERAL

Under the powers vested in me by [section 3](#) of the Public Audit Act, 2004 (Act [No. 25 of 2004](#)) (hereinafter referred to as the PAA), I, Shauket Allie Fakie, Auditor-General of the Republic of South Africa, hereby determine the following:

ARRANGEMENT OF REGULATIONS

<a href="#">1</a>	Audit opinion
<a href="#">2</a>	Compliance with applicable legislation and reporting relating to performance against predetermined objectives
<a href="#">3</a>	Disclosure of budget information
<a href="#">4</a>	Period of application
<a href="#">5</a>	Glossary of terms
<a href="#">Annexure A</a>	
<a href="#">Annexure B</a>	GRAP & GAAP basis of preparation
<a href="#">Annexure C</a>	GRAP & GAMAP basis of preparation

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Notices/ GN 1512 of 27 October 2006: Auditing of Local Government in terms of the Municipal Finance Management Act (No. 56 of 2003) (MFMA)/ 1. Audit opinion.-The objective of an audit of financial statements is to enable the auditor to express an opinion on whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework**

**1. Audit opinion.**-The objective of an audit of financial statements is to enable the auditor to express an opinion on whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework.

In terms of section 13 (3) of the PAA I hereby advise that, for the 2005-06 audits, I have determined that the approach set out in annexure A to this notice be followed in the formulation of my audit reports on the financial statements of municipalities and municipal entities. This is in response to the financial reporting frameworks prescribed by the National Treasury in terms of the MFMA for application by municipalities and municipal entities.

**(a) GRAP & GAAP and GRAP & GAMAP**

The National Treasury has determined the GRAP & GAAP basis of accounting to be as follows:

"The financial statements have been prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, with the prescribed Standards of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP Statement..." (This is more fully set out in annexure B to this notice.)

The National Treasury has determined the GRAP & GAMAP basis of accounting to be as follows:

"The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the Standards of Generally Accepted Municipal Accounting Practice (GAMAP) prescribed by the Minister of Finance in terms of:

- . *General Notice* 991 of 2005, issued in *Government Gazette* no. 28095 of 15 December 2005; and
- . *General Notice* 992 of 2005, issued in *Government Gazette* no. 28095 of 7 December 2005;

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards ... have been based on the South African Statements of Generally Accepted Accounting Practice (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board. ..." (This is more fully set out in annexure C to this notice.)

I have recognised the GRAP & GAAP and GRAP & GAMAP bases of accounting set out above as comprehensive bases of accounting and my audit report will therefore be issued in terms of ISA 800.

**(b) IMFO**

The IMFO basis of accounting constitutes the standards determined by the Institute of Municipal Treasurers and Accountants (now the Institute of Municipal Finance Officers) in its *Code of Accounting Practice* (1997) and *Report on Published Annual Financial Statements* (second edition - January 1996).

I have recognised the IMFO basis of accounting as an entity-specific basis of accounting and I will therefore issue a "prepared in accordance with ..." audit opinion in accordance with SAAPS 2.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Notices/ GN 1512 of 27 October 2006: Auditing of Local Government in terms of the Municipal Finance Management Act (No. 56 of 2003) (MFMA)/ 2. Compliance with applicable legislation and reporting relating to performance against predetermined objectives.-**

**2. Compliance with applicable legislation and reporting relating to performance against predetermined objectives.-**

In terms of section 20 (2) (b) and (c) of the PAA, an audit report must reflect an opinion or conclusion on (b) the auditee's compliance with any applicable legislation relating to financial matters, financial management and other related matters, and (c) the reported information relating to the performance of the auditee against predetermined objectives.

**(a) Municipal entities**

I have determined that, until further information is published in this respect, no separate opinion or conclusion on compliance with legislation or performance against pre-determined objectives should be included in the audit reports. Conclusions in this regard will be reached as part of the financial auditing process. Reporting will be in respect of material non-compliance with applicable legislation relating to financial matters or material shortcomings in the process of reporting against predetermined objectives that may come to the attention of the auditor during the audit.

**(b) Municipalities**

I have determined that, until further information is published in this respect, no separate opinion or conclusion on compliance with legislation should be included in the audit reports. Conclusions in this regard will be reached as part of the financial auditing process. Reporting will be in respect of material non-compliance with applicable legislation relating to financial matters that may come to the attention of the auditor during the audit. Reporting on the performance measurement system in terms of [section 46](#) of the Municipal Systems Act, 2000 (Act [No. 32 of 2000](#)) will be undertaken in a separate report in accordance with ISRS 4400.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Notices/ GN 1512 of 27 October 2006: Auditing of Local Government in terms of the Municipal Finance Management Act (No. 56 of 2003) (MFMA)/ 3. Disclosure of budget information.-GRAP 1 paragraph 11 et seq. requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting s**

**3. Disclosure of budget information.-**GRAP 1 paragraph 11 et seq. requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is still in the process of being developed, I have determined that my audit of any disclosures made by the entities in this respect will be limited to reporting on non-compliance with this disclosure requirement.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Notices/ GN 1512 of 27 October 2006: Auditing of Local Government in terms of the Municipal Finance Management Act (No. 56 of 2003) (MFMA)/ 4. Period of application.-The guidance provided in this document comes into immediate effect, but will not influence any audit reports already issued.**

**4. Period of application.-**The guidance provided in this document comes into immediate effect, but will not influence any audit reports already issued.

Regardless of any changes to international auditing standards regarding the audit report that may come into effect after the date of this directive, the reporting requirements outlined above will apply to all audit reports dated on or before 31 May 2007, issued in respect of audits conducted on entities subject to the MFMA.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Notices/ GN 1512 of 27 October 2006: Auditing of Local Government in terms of the Municipal Finance**

5. Glossary of terms.-

GAAP:	South African Statements of Generally Accepted Accounting Practice
GAMAP:	Generally Accepted Municipal Accounting Practice
GRAP:	Generally Recognised Accounting Practice
MFMA:	Municipal Finance Management Act, 2003 (Act <a href="#">No. 56 of 2003</a> )
PAA:	Public Audit Act, 2004 (Act <a href="#">No. 25 of 2004</a> )
ISA:	International Standards on Auditing
ISRS:	International Standards on Related Services

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Notices/ GN 1512 of 27 October 2006: Auditing of Local Government in terms of the Municipal Finance Management Act (No. 56 of 2003) (MFMA)/ Annexure A**

**Annexure A**

Type of entity	Separate financial statements			Consolidated financial statements		
	Mandatory basis of accounting	Audit report	Voluntary alternative basis of accounting	Mandatory basis of accounting	Audit report	Voluntary alternative basis of accounting
High-capacity municipalities	GRAP & GAMAP	<ul style="list-style-type: none"> <li>. ISA 800: "Comprehensive basis of accounting"</li> <li>. Audit opinion: "Present fairly" in accordance with the basis of accounting in annexure B, i.e. GRAP, GAMAP &amp; GAAP</li> </ul>		GRAP & GAMAP	<ul style="list-style-type: none"> <li>. If a proper GRAP &amp; GAMAP compliant consolidation was attempted:</li> <li>. ISA 800: "Comprehensive basis of accounting"</li> <li>. Audit opinion: "Present fairly" in accordance with the basis of accounting in annexure B, i.e. GRAP, GAMAP &amp; GAAP<sup>a</sup></li> <li>. If a proper GRAP &amp; GAMAP compliant consolidation was not attempted:                             <ul style="list-style-type: none"> <li>. ISRS 4400: "Agreed-upon procedures"</li> <li>. No audit opinion: "Report of agreed-upon procedures"</li> </ul> </li> </ul>	
Medium-capacity municipalities	IMFO	<ul style="list-style-type: none"> <li>. SAAPS 2: "Entity-specific basis of accounting"</li> <li>. Audit opinion: "Prepared in accordance with ..."</li> </ul>	GRAP & GAMAP	IMFO	No audit opinion will be expressed on the "consolidated" financial statements <sup>b</sup>	GRAP & GAMAP
Low-capacity municipalities	IMFO	<ul style="list-style-type: none"> <li>. SAAPS 2: "Entity-specific basis of accounting"</li> <li>. Audit opinion: "Prepared in accordance with ..."</li> </ul>	GRAP & GAMAP	c		

Municipal entities that: · are subject to the Companies Act	GRAP & GAAP	· Audit opinion: "Present fairly" in accordance with the basis of accounting in annexure A, i.e. GRAP, GAMAP & GAAP				
Municipal entities that: · adopted SA Statements of GAAP in the previous financial year	GRAP & GAAP	· ISA 800: "Comprehensive basis of accounting" · Audit opinion: "Present fairly" in accordance with the basis of accounting in annexure A, i.e. GRAP, GAMAP & GAAP				
Municipal entities that: · are not subject to the Companies Act; and · did not adopt SA Statements of GAAP in the previous financial year	GRAP & GAAP	· ISA 800: "Comprehensive basis of accounting" · Audit opinion: "Present fairly" in accordance with the basis of accounting in annexure A, i.e. GRAP, GAMAP & GAAP	GRAP & GAMAP			
<p>a In accordance with correspondence from the National Treasury it is assumed that the correct application of the principles in paragraph 7, 11 and 12 of GRAP 3 on the development of accounting policies and disclosures for transactions, events or conditions not covered by the three GRAP and eight GAMAP standards will result in municipalities only applying SA Statements of GAAP for such transactions, events and conditions.</p> <p>b Medium-capacity municipalities are required to prepare consolidated financial statements for the 30 June 2006 financial year-end. In the absence of an IMFO consolidation specimen, this is interpreted by the National Treasury as requiring medium-capacity municipalities to only include an audited set of financial statements for each of its municipal entities, no audit opinion will be expressed on the "consolidated" financial statements.</p> <p>c Low-capacity municipalities are not required to prepare consolidated financial statements for the 30 June 2006 financial year-end.</p>						

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Notices/ GN 1512 of 27 October 2006: Auditing of Local Government in terms of the Municipal Finance Management Act (No. 56 of 2003) (MFMA)/ Annexure B "GRAP & GAAP basis of preparation**

**Annexure B**

"GRAP & GAAP basis of preparation

The financial statements have been prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, with the prescribed Standards of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP Statement as follows:

<i>Standard of GRAP</i>	<i>Replaced Statement of GAAP</i>
GRAP 1: Presentation of financial statements	AC101: Presentation of financial statements
GRAP 2: Cash flow statements	AC118: Cash flow statements
GRAP 3: Accounting policies, changes in accounting estimates and errors	AC103: Accounting policies, changes in accounting estimates and errors

The recognition and measurement principles in the above GRAP and GAAP Statements do not differ or result in material differences in items presented and disclosed in the financial statements. The implementation of GRAP 1, 2 & 3 has resulted in the following significant changes in the presentation of the financial statements:

1. Terminology differences:

<i>Standard of GRAP</i>	<i>Replaced Statement of GAAP</i>
Statement of financial performance	Income statement

Statement of financial position	Balance sheet
Statement of changes in net assets	Statement of changes in equity
Net assets	Equity
Surplus/deficit for the period	Profit/loss for the period
Accumulated surplus/deficit	Retained earnings
Contributions from owners	Share capital
Distributions to owners	Dividends
Reporting date	Balance sheet date

2. The cash flow statement can only be prepared in accordance with the direct method.
3. Specific information such as:
  - (a) receivables from non-exchange transactions, including taxes and transfers;
  - (b) taxes and transfers payable;
  - (c) trade and other payables from non-exchange transactions; must be presented separately on the statement of financial position.
4. The amount and nature of any restrictions on cash balances is required to be disclosed.

Paragraph 11 - 15 of GRAP 1 has not been implemented as the budget reporting standard is in the process of being developed by the international and local standard setters. Although the inclusion of budget information would enhance the usefulness of the financial statements, non-disclosure will not affect fair presentation."

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Notices/ GN 1512 of 27 October 2006: Auditing of Local Government in terms of the Municipal Finance Management Act (No. 56 of 2003) (MFMA)/ Annexure C "GRAP & GAMAP basis of preparation**

**Annexure C**

"GRAP & GAMAP basis of preparation

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the Standards of Generally Accepted Municipal Accounting Practice (GAMAP) prescribed by the Minister of Finance in terms of:

- . *General Notice 991 of 2005, issued in Government Gazette no. 28095 of 15 December 2005; and*
- . *General Notice 992 of 2005, issued in Government Gazette no. 28095 of 7 December 2005;*

The Standards comprise the following:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GAMAP 4	The Effects of Changes in Foreign Exchange Rates
GAMAP 6	Consolidated Financial Statements and Accounting for Controlled Entities
GAMAP 7	Accounting for Investments in Associates
GAMAP 8	Financial Reporting of Interests in Joint Ventures
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, Plant and Equipment
GAMAP 19	Provisions, Contingent Liabilities and Contingent Assets

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practice (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board. A summary of the significant accounting policies is disclosed below."

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Notices/ GN 645 of 25 May 2007: General Directive**

**GN 645 of 25 May 2007: General Directive**

**GENERAL DIRECTIVE  
PUBLIC AUDIT ACT, 2004  
Act No. 25 of 2004**

Under the powers vested in me by [section 2](#) of the Public Audit Act, 2004 (Act [No. 25 of 2004](#)) (hereafter referred to as the PAA), I, Terence Mncedisi Nombembe, Auditor-General of the Republic of South Africa, hereby determine the following:

ARRANGEMENT OF REGULATIONS

- [1.](#) Audits of public entities listed in the Public Finance Management Act, 1999 (Act [No. 1 of 1999](#)) and any other institutions envisaged by section 4 (3) (b) of the PAA
- [2.](#) Duties of auditors in public practice in terms of chapter 3 of the PAA
- [3.](#) Audit reports - section 28 of the PAA
- [4.](#) Auditing of performance information - section 28 of the PAA
- [5.](#) Complaints against the Auditor-General - section 13 (1) (c) of the PAA
- [6.](#) Compliance with any applicable legislation relating to financial matters, financial management and other related matters - sections 20 (2) (b) and 28 (1) (b) of the PAA

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Notices/ GN 645 of 25 May 2007: General Directive/ 1. Audits of public entities listed in the Public Finance Management Act, 1999 (Act No. 1 of 1999) and any other institutions envisaged by section 4 (3) (b) of the PAA.-In terms of section 25 (1) (a) of the PAA, unless advised otherwise prior to this an**

**1. Audits of public entities listed in the Public Finance Management Act, 1999 (Act [No. 1 of 1999](#)) and any other institutions envisaged by section 4 (3) (b) of the PAA.**-In terms of section 25 (1) (a) of the PAA, unless advised otherwise prior to this announcement, I have opted not to perform any audits of institutions referred to in section 4 (3) of the PAA for the 2007-08 financial year.

All auditees may therefore proceed to appoint their own auditors, only for the 2007-08 financial year (section 25 (4)). In this connection the document: *Consultation of the Auditor-General (AG) on the appointment of an auditor* attached hereto should be completed as indicated.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Notices/ GN 645 of 25 May 2007: General Directive/ 2. Duties of auditors in public practice in terms of chapter 3 of the PAA.-Auditors in public practice appointed to audit public sector entities in terms of section 25 (1) (b) should take cognisance of their duties and powers and other matters contained**

**2. Duties of auditors in public practice in terms of chapter 3 of the PAA.**-Auditors in public practice appointed to audit public sector entities in terms of section 25 (1) (b) should take cognisance of their duties and powers and other matters contained in sections 25 to 28 of the PAA.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Notices/ GN 645 of 25 May 2007: General Directive/ 3. Audit reports - section 28 of the PAA.-Where I have opted not to perform an audit in terms of section 25, the appointed auditor must furnish me with a copy of the audit report as prescribed by section 28 and the audited financial statements of the au**

**3. Audit reports - section 28 of the PAA.**-Where I have opted not to perform an audit in terms of section 25, the appointed auditor must furnish me with a copy of the audit report as prescribed by section 28 and the audited financial statements of the auditee no later than 31 July and the annual report by 31 August following the financial year-end.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Notices/ GN 645 of 25 May 2007: General Directive/ 4. Auditing of performance information - section 28 of the PAA.-The attention of auditors in public practice is drawn to the separate notice I have issued on the auditing of performance information and the requirement that they must comply therewith.**

**4. Auditing of performance information - section 28 of the PAA.**-The attention of auditors in public practice is drawn to the separate notice I have issued on the auditing of performance information and the requirement that they must comply therewith.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Notices/ GN 645 of 25 May 2007: General Directive/ 5. Complaints against the Auditor-General - section 13 (1) (c) of the PAA.-The interim policy and process to be followed for complaints against the AG is attached to this notice.**



**5. Complaints against the Auditor-General - section 13 (1) (c) of the PAA.**-The interim policy and process to be followed for complaints against the AG is attached to this notice.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Notices/ GN 645 of 25 May 2007: General Directive/ 6. Compliance with any applicable legislation relating to financial matters, financial management and other related matters - sections 20 (2) (b) and 28 (1) (b) of the PAA.- In terms of sections 20 (2) (b) and 28 (1) (b) of the PAA an audit report must r**

**6. Compliance with any applicable legislation relating to financial matters, financial management and other related matters - sections 20 (2) (b) and 28 (1) (b) of the PAA.**-In terms of sections 20 (2) (b) and 28 (1) (b) of the PAA an audit report must reflect an opinion or conclusion on the auditee's compliance with any applicable legislation relating to financial matters, financial management and other related matters.

I have determined that, until further information is published in this respect, no separate opinion or conclusion as envisaged above should be included in the audit reports. Conclusions in this regard will be reached as part of the financial auditing process in terms of International Auditing Standard (ISA) 250.

Additional reporting on compliance with applicable legislation (not directly impacting on the opinion on the financial statements) in terms of the Public Sector Perspective in ISA 250, with specific reference to ISA study 3, and ISA 700R paragraph 45, will appear under "Other matters" in the audit report.

Any enquiry related to this notice should be addressed to the following office:

J H van Schalkwyk  
 Business Executive: Audit Research and Development  
 The Auditor-General  
 Tel: (012) 422 9823  
 Fax (012) 422 9822  
 Email: janvs@agsa.co.za

Signed and approved:

T M Nombembe  
 Auditor-General



**AUDITOR-GENERAL**

**CONSULTATION OF THE AUDITOR-GENERAL ON THE APPOINTMENT OR DISCHARGE OF AN AUDITOR IN TERMS OF SECTIONS 25 AND 26 OF THE PUBLIC AUDIT ACT, NO. 25 of 2004**

**INSTRUCTIONS**

1. The checklist should be completed and submitted with supporting documentation by email to marissab@agsa.co.za. The original checklist and supporting documentation should be posted to PO Box 446, Pretoria, 0001 for the attention of Ms M Bezuidenhout.
2. The checklist should be accompanied by a copy of your policy on the appointment of auditors and the allocation of non-audit services to auditors.

**INFORMATION REQUIRED**

3. Particulars of entity

Name	
Postal address	
Physical address	
Fax number	
Telephone number	
Email address of CFO	
Accounting authority chairperson	
Name	
Contact details	
Responsible minister (executive authority)	
Name	
Contact details	
Responsible department	

Contact person at department	
Financial year in question	

**DISCHARGE OF AUDITOR**

4. Particulars of the audit firm discharged

Name(s) of audit firm(s)	Number of years engaged to date

5. Provide the notice to the auditor giving the reasons for the impending discharge
6. Provide written concurrence by the executive authority for the planned discharge
7. Costs of audit and non-audit services provided by the auditors during their term of office (last three years)

Financial year			
Audit fees			
Fees for other services			
Total fees			
Non-audit fees as a percentage of total fees			
Nature of services performed			

**APPOINTMENT OF NEW AUDITORS**

8. Particulars of audit firms shortlisted for appointment

	Name(s) of audit firm(s)	Estimated audit fee	Estimated fee for other services
Firm 1			
Firm 2			
Firm 3			
Firm 4			
Nature of other services to be performed:			

9. Audit firm proposed and anticipated date of appointment

Name	
Date	

10. Details of any prior involvement with the entity, including the costs

11. Indicate how the performance of auditors will be evaluated

12. Provide and attach a declaration in respect of the assurance team as far as it relates to the following:

*Integrity and objectivity:*

The assurance team is free from conflict of interest and bias.

No relationships or interests exist, direct or indirect, which could adversely influence, impair or threaten the capacity to act with integrity and objectivity.

*Conflict of interest:*

The assurance team is free from any influence, interest or relationship, whether direct or indirect, which might be regarded as being incompatible with integrity, objectivity and independence.

*Independence: The assurance team has no fiduciary or financial involvement with or in the affairs of the auditee such as-*

. Direct or indirect financial interest in the auditee

- . Fiduciary interests in the auditee
- . Loans to or from the auditee, any official of the auditee, any member of the accounting authority or from the department responsible for the auditee
- . Holding of a financial interest in a joint venture or public-private partnership with the auditee or any of its employees
- . Having a financial interest in a non-audit client that has an investee relationship with the auditee

**REAPPOINTMENT OF AUDITORS**

13. Details of firm to be reappointed

Name	
Financial years previously appointed	

14. Provide details of the audit committee's assessment of the effectiveness and efficiency of the performance of the external auditors

15. Provide details of significant disagreements between the external auditors and the accounting authority during the preceding financial year, if any

16. Provide and attach a declaration in respect of the assurance team as far as it relates to the following:

Integrity and objectivity:

The assurance team is free from conflict of interest and bias.

No relationships or interests exist, direct or indirect, which could adversely influence, impair or threaten the capacity to act with integrity and objectivity.

*Conflict of interest:*

The assurance team is free from any influence, interest or relationship, whether direct or indirect, which might be regarded as being incompatible with integrity, objectivity and independence.

*Independence: The assurance team has no fiduciary or financial involvement with or in the affairs of the auditee such as-*

- . Direct or indirect financial interest in the auditee
- . Fiduciary interests in the auditee
- . Loans to or from the auditee, any official of the auditee, any member of the accounting authority or from the department responsible for the auditee
- . Holding of a financial interest in a joint venture or public-private partnership with the auditee or any of its employees
- . Having a financial interest in a non-audit client that has an investee relationship with the auditee

17. Indicate name of partner in charge of audit for the last five years

18. Indicate name of audit manager in charge of audit for the last five years

**Completed by**

(signature)

**Designation**

**Date**

**INFORMATION:**

S25 (2) *Must give notice of the suggested appointment, including information on the extent to which the auditor would provide other services than audit services during the duration of the appointment and any other information required by the AG.*

(3) *f the AG, within 14 days of receiving notice in terms of subsection 2 or such*

longer period as agreed to, rejects the auditee's appointment, the auditee must, in terms of that subsection, recommence the process to appoint another person as its auditor.

Appointment may only be for one year.

S26 (1) Discharge before expiry of term - only with consent of the AG and the relevant executive authority if applicable.

(2) Give the auditor notice in writing setting out the reasons.

(2) Give the auditor opportunity to make written representation to the AG within 20 days of receipt of the notice.

(3) The AG must report any discharge of the auditor to the relevant legislature.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Notices/ GN 646 of 25 May 2007: Directive: Performance Information**

**GN 646 of 25 May 2007: Directive: Performance Information**

THE AUDITOR GENERAL

**DIRECTIVE: PERFORMANCE INFORMATION**

**PUBLIC AUDIT ACT, 2004**

**Act No. 25 of 2004**

Under the powers vested in me by [sections 20 \(2\) \(c\)](#) and [28 \(1\) \(c\)](#) of the Public Audit Act, 2004 (Act [No. 25 of 2004](#)) (hereafter referred to as the PAA), I, Terence Mncedisi Nombembe, Auditor-General of the Republic of South Africa, hereby determine the following:

ARRANGEMENT OF REGULATIONS

- [1.](#) Applicability
- [2.](#) Auditing of performance information
- [3.](#)
- [4.](#)
- [5.](#) Reporting on performance information

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Notices/ GN 646 of 25 May 2007: Directive: Performance Information/ 1. Applicability.-This directive is applicable to all audits within the constitutional mandate of the Auditor-General as per sections 4 (1) and 4 (3) of the PAA, conducted by:**

**1. Applicability.**-This directive is applicable to all audits within the constitutional mandate of the Auditor-General as per sections 4 (1) and 4 (3) of the PAA, conducted by:

- . authorised auditors as defined by section 1 of the PAA, and
- . auditors in public practice where I have opted not to perform the audit in terms of section 4 (3) of the PAA.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Notices/ GN 646 of 25 May 2007: Directive: Performance Information/ 2. Auditing of performance information.-The information related to the performance against predetermined objectives is subject to audit in terms of section 20 (2) (c) or section 28 (1) (c) of the PAA. Section 13 of the PAA requires me to determine the s**

**2. Auditing of performance information.**-The information related to the performance against predetermined objectives is subject to audit in terms of section 20 (2) (c) or section 28 (1) (c) of the PAA. Section 13 of the PAA requires me to determine the standards to be applied in performing such audits. I have adopted a phasing-in approach to compliance with sections 20 and 28 of the PAA until such time as the environment promotes a state of readiness to provide reasonable assurance in the form of an audit opinion or conclusion.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Notices/ GN 646 of 25 May 2007: Directive: Performance Information/ 3. The 2006-07 stage of the phasing-in approach to the auditing of performance information constitutes the following:**

- 3.** The 2006-07 stage of the phasing-in approach to the auditing of performance information constitutes the following:
- . Obtaining an understanding of the internal controls relating to performance information.
  - . Documenting system descriptions for the systems relevant to reporting on performance information. The system descriptions should be verified by means of walkthrough tests.

- . Determining the stage of performance reporting by evaluating the following:
  - The existence of, and reporting against, predetermined objectives.
  - The existence of the following principles in the measurement objectives:
    - . specific
    - . measurable and
    - . time bound.
  - The consistency of the predetermined objectives recorded in the strategic plan, budget, quarterly reports and annual report.
  - The format and presentation of the performance information in the annual report.
- . Comparing reported achievement of performance against objectives to the information sources and conducting limited substantive procedures on the information.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Notices/ GN 646 of 25 May 2007: Directive: Performance Information/ 4. The performance information should be submitted for audit together with the annual financial statements within two months after the end of the financial year. The auditor appointed should ensure that the reported information is audited in accordance**

4. The performance information should be submitted for audit together with the annual financial statements within two months after the end of the financial year. The auditor appointed should ensure that the reported information is audited in accordance with the requirements listed above and is reported on as required by the PAA.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Notices/ GN 646 of 25 May 2007: Directive: Performance Information/ 5. Reporting on performance information.- In terms of section 20 (2) (c) or section 28 (1) (c) of the PAA, an audit report must reflect an opinion or conclusion on the reported information relating to the performance of the auditee against predetermined**

5. **Reporting on performance information.**-In terms of section 20 (2) (c) or section 28 (1) (c) of the PAA, an audit report must reflect an opinion or conclusion on the reported information relating to the performance of the auditee against predetermined objectives.

I have determined that, until further information is published in this respect, no separate opinion on performance against predetermined objectives should be included in the audit reports. Reporting in this regard will form part of the regularity audit process. Reporting will be in relation to material shortcomings in the process, systems and procedures of reporting against predetermined objectives that may come to the attention of the auditor during the audit and that may impact on the public interest. This reporting will be contained in the "other reporting responsibilities" section of the audit report as per the attached example.

Any queries related to this notice should be addressed to the following:

J H van Schalkwyk  
 Business Executive: Audit Research and Development  
 The Auditor-General  
 Tel: (012) 422 9823  
 Fax: (012) 422 9822  
 Email: [janvs@agsa.co.za](mailto:janvs@agsa.co.za)

Signed and approved:

T M Nombembe  
 Auditor-General

**REPORT OF THE AUDITOR-GENERAL TO [PARLIAMENT] NAME OF PROVINCE  
 PROVINCIAL LEGISLATURE] ON THE [GROUP] FINANCIAL STATEMENTS AND  
 PERFORMANCE INFORMATION OF [VOTE NO. X] [NAME OF ENTITY] FOR THE  
 YEAR ENDED [31 MARCH 200X/30 JUNE 200X]**

**REPORT ON THE FINANCIAL STATEMENTS**

**OTHER MATTERS**

**OTHER REPORTING RESPONSIBILITIES**

**Reporting on performance information**

1. I have audited the performance information as set out on pages xx to xx.

**Responsibility of the [accounting officer/accounting authority]**

**[for departments, constitutional institutions and trading entities]**

2. The accounting officer has additional responsibilities as required by section 40 (3) (a) of the PFMA to ensure that the annual report and audited financial statements fairly present the performance against predetermined objectives of the [type of entity].

**[for public entities]**

- 3. The accounting authority has additional responsibilities as required by section 55 (2) (a) of the PFMA to ensure that the annual report and audited financial statements fairly present the performance against predetermined objectives of the public entity.

**[for municipalities]**

- 4. In terms of section 121 (3) (c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality prepared by the municipality in terms of [section 46](#) of the Local Government: Municipal Systems Act, 2000 (Act [No. 32 of 2000](#)) (MSA).

**[for municipal entities]**

- 5. In terms of section 121 (4) (d) of the MFMA, the annual report of a municipal entity must include an assessment by the entity's accounting officer of the entity's performance against any measurable performance objectives set in terms of the service delivery agreement or other agreement between the entity and its parent municipality.

**Responsibility of the Auditor-General**

- 6. I conducted my engagement in accordance with [section 13](#) of the Public Audit Act, 2004 (Act [No. 25 of 2004](#)) read with *General Notice [xx] of 2007*, issued in *Government Gazette No. [xx] of [xx] 2007* [and section 45 of the MSA].
- 7. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
- 8. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

**Audit findings**

- 9. xxxxxxxxxxxxxxxxxxxxxxxxx
- 10. xxxxxxxxxxxxxxxxxxxxxxxxx

**APPRECIATION**

- 11. The assistance rendered by the staff of the [name of entity] during the audit is sincerely appreciated.

*Signature*

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Notices/ GN 647 of 25 May 2007: Directive: Public Finance Management Act**

**GN 647 of 25 May 2007: Directive: Public Finance Management Act**

THE AUDITOR GENERAL

**DIRECTIVE: PUBLIC FINANCE MANAGEMENT ACT  
PUBLIC AUDIT ACT, 2004  
Act [No. 25 of 2004](#)**

Under the powers vested in me by [section 13 \(3\) \(b\)](#) of the Public Audit Act, 2004 (Act [No. 25 of 2004](#)) (hereafter referred to as the PAA), I, Terence Mncedisi Nombembe, Auditor-General of the Republic of South Africa, hereby determine the following:

ARRANGEMENT OF REGULATIONS

- [1.](#) Standards for audits - section 13 (1) (a) of the PAA
- [2.](#) Audit reports - section 20 of the PAA
- [3.](#) Report on administration by the National Treasury - section 5 (3) of the PAA

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Notices/ GN 647 of 25 May 2007: Directive: Public Finance Management Act/ 1. Standards for audits - section 13 (1) (a) of the PAA.-In terms of section 13 (1) (a) of the PAA the International Standards on Auditing shall be applied for all regularity audits conducted by me until further notice to the contrary.**

**1. Standards for audits - section 13 (1) (a) of the PAA.-In terms of section 13 (1) (a) of the PAA the International Standards on Auditing shall be applied for all regularity audits conducted by me until further notice to the contrary.**

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Notices/ GN 647 of 25 May 2007: Directive: Public Finance Management Act/ 2. Audit reports - section 20 of the PAA.-I have recognised the following bases of accounting as prescribed by the National Treasury, in respect of which my audit of the financial statements of the different spheres of government as indicated will be co**

**2. Audit reports - section 20 of the PAA.**-I have recognised the following bases of accounting as prescribed by the National Treasury, in respect of which my audit of the financial statements of the different spheres of government as indicated will be conducted and in terms of which my audit opinion will be expressed:

(a) *National and provincial departments, Parliament and provincial legislatures*

As prescribed by the National Treasury (NT) in its *Specimen annual financial statements* and the accompanying *Guide for the preparation of annual reports*, departments are required to prepare their annual financial statements on a modified cash basis of accounting. The modified cash basis constitutes the cash basis of accounting supplemented with additional disclosure items. Under the cash basis of accounting, transactions and other events are recognised when cash is received or paid or when the final authorisation for payment is effected on the system (by no later than 31 March each year).

The National Treasury's *Specimen annual financial statements* and accompanying *Guide for the preparation of annual reports* have been recognised by me as a comprehensive basis of accountancy. The audit report will therefore be issued in terms of International Standard on Auditing (ISA) 800.

(b) *Schedule 3A and 3C public entities and constitutional institutions*

The Minister of Finance approved Generally Recognised Accounting Practice Standards (GRAP) 1 to 3 for implementation by schedule 3A and 3C public entities and constitutional institutions for the 31 March 2006 financial year-end in terms of *Notice 991* issued in *Government Gazette No. 28095 of 7 December 2005*.

The National Treasury has determined that the basis of accounting to be applied by these entities will be as set out in the annexure to this notice.

Given the phased implementation of GRAP, I have recognised the basis of accounting set out above as a comprehensive basis of accounting and my audit report will therefore be issued in terms of ISA 800.

Disclosure of budget information

GRAP 1, paragraph 11 et seq. requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally obtained budget. However, in terms of the basis of accounting determined by the National Treasury, budget information need not be disclosed. A GRAP standard on the presentation of budget information in the financial statements is in the process of being developed by the standard setter. In the absence of such a standard and until presentation of budget information is required in terms of the prescribed basis of accounting, any budget information presented in the financial statements will be excluded from the scope of auditing.

(c) *Schedule 2, 3B and 3D public entities and trading entities*

As stated in the introductory paragraphs to Standards of GRAP, the Accounting Standards Board (ASB) has approved the application of Statements of Generally Accepted Accounting Practice (GAAP), as codified by the South African Institute of Chartered Accountants (SAICA), as generally recognised accounting practice for the following:

- Government business enterprises
- Trading entities
- Any other entity, other than a municipality, whose ordinary shares, potential ordinary shares or debt is publicly tradable on the capital markets
- Entities under the ownership control of any of these entities

SA Statements of GAAP constitute a financial reporting framework set by an authorised/recognised standard-setting body and my audit report will therefore be issued in terms of ISA 700R.

(d) *Entity specific basis of accounting*

In terms of section 20 (2) of the PAA an audit report must reflect at least an opinion or conclusion on whether the annual financial statements of the auditee fairly present, in all material respects, the financial position at a specific date and the results of its operations and cash flow for the period which ended on that date in accordance with the applicable financial framework and legislation.

I have determined that where an auditee prepares financial statements on an entity specific basis of accounting, due to written approval obtained from the National Treasury to depart from the applicable basis of accounting as detailed in (a) to (d) above, no opinion on the fair presentation of the financial statements will be expressed and an opinion will only be given on whether the financial statements have been prepared, in all material respects, in accordance with the basis of accounting as disclosed, in terms of South African Auditing Practice Statement (SAAPS) 2.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Notices/ GN 647 of 25 May 2007: Directive: Public Finance Management Act/ 3. Report on administration by the National Treasury - section 5 (3) of the PAA.-I will issue a report in respect of any matters concerning the duties assigned to the National Treasury (NT) in terms of the Public Finance Management Act, 1999 (Act No. 1**

**3. Report on administration by the National Treasury - section 5 (3) of the PAA.**-I will issue a report in respect of any matters concerning the duties assigned to the National Treasury (NT) in terms of the Public Finance Management Act, 1999 (Act [No. 1 of 1999](#)) (PFMA) and any related matters. This report will be included as an addendum to my report on the

consolidated financial statements/information as prepared by the National Treasury in terms of section 8 of the PFMA and will, inter alia, deal with the following matters:

- . Approval by the NT of deviations from the applicable financial reporting framework
- . Impact of practice notes issued
- . Transitional plan for the implementation of Generally Recognised Accounting Practice (GRAP)
- . Evaluation of the readiness of entities to migrate to GRAP
- . Guidance and capacity building at the entities
- . Effective monitoring of management discipline at the entities
- . Transversal information systems

Any query related to this notice should be addressed to the following office:

J H van Schalkwyk  
Business Executive: Audit Research and Development  
The Auditor-General  
Tel: (012) 422 9823  
Fax (012) 422 9822  
Email: janvs@agsa.co.za

Signed and approved:

T M Nombembe  
Auditor-General

#### **Basis of preparation as published by the National Treasury**

The financial statements have been prepared in accordance with the South African Statements of Generally Accepted Accounting Practices (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, with the effective Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP Statement as follows:

##### **Standard of GRAP**

GRAP 1: Presentation of financial statements  
GRAP 2: Cash flow statements  
GRAP 3: Accounting policies, changes in accounting estimates and errors

##### **Replaced Statement of GAAP**

AC101: Presentation of financial statements  
AC118: Cash flow statements  
AC103: Accounting policies, changes in accounting estimates and errors

Currently the recognition and measurement principles in the above GRAP and GAAP Statements do not differ or result in material differences in items presented and disclosed in the financial statements. The implementation of GRAP 1, 2 & 3 has resulted in the following changes in the presentation of the financial statements:

1. Terminology differences:

##### **Standard of GRAP**

Statement of financial performance  
Statement of financial position  
Statement of changes in net assets  
Net assets  
Surplus/deficit  
Accumulated surplus/deficit  
Contributions from owners  
Distributions to owners

##### **Replaced Statement of GAAP**

Income statement  
Balance sheet  
Statement of changes in equity  
Equity  
Profit/loss  
Retained earnings  
Share capital  
Dividends

2. The cash flow statement can only be prepared in accordance with the direct method.
3. Specific information has been presented separately on the statement of financial position such as:
  - a. Receivables from non-exchange transactions, including taxes and transfers;
  - b. Taxes and transfers payable;
  - c. Trade and other payables from non-exchange transactions;
4. Amount and nature of any restrictions on cash balances is required.

Paragraph 11 - 15 of GRAP 1 has not been implemented due the fact that the budget reporting standard has not been developed by the local standard setter and the international standard is not effective for this financial year. Although the inclusion of budget information would enhance the usefulness of the financial statements, non-disclosure will not affect the objective of the financial statements.



GN 648 of 25 May 2007: Directive: Unlisted Entities

THE AUDITOR GENERAL

**DIRECTIVE: UNLISTED ENTITIES**  
**PUBLIC AUDIT ACT, 2004**  
**Act No. 25 of 2004**

Under the powers vested in me by [section 2](#) of the Public Audit Act, 2004 (Act [No. 25 of 2004](#)) (hereafter referred to as the PAA), I, Terence Mncedisi Nombembe, Auditor-General of the Republic of South Africa, hereby determine the following:

**Audits of public entities not listed in terms of the Public Finance Management Act, 1999 (Act [No. 1 of 1999](#))**

ARRANGEMENT OF REGULATIONS

- [1.](#) Format and submission of financial statements - section 14 of the PAA
- [2.](#) Audit reports - section 20 of the PAA
- [3.](#) Submission of audit reports - section 21 of the PAA

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Notices/ GN 648 of 25 May 2007: Directive: Unlisted Entities/ 1. Format and submission of financial statements - section 14 of the PAA.-**

**1. Format and submission of financial statements - section 14 of the PAA.-**

- (a) Auditees for whom the format and submission period of, the information to be contained in and other relevant requirements in respect of the financial statements are not prescribed by any legislation are subject to the contents of Audit Circular 1 of 2005 and Audit Circular 1 of 2007, issued as annexures to this notice.
- (b) In terms of Audit Circular 1 of 2005 and Audit Circular 1 of 2007, these entities are required to prepare their financial statements in accordance with SA Statements of Generally Accepted Accounting Practice (GAAP). SA Statements of GAAP constitute a financial reporting framework set by an authorised/recognised standard-setting body, and my audit report on the financial statements will therefore be issued in terms of International Standard on Auditing (ISA) 700R.
- (c) Where entities fall within the scope of Audit Circular 1 of 2005 and Audit Circular 1 of 2007 and, as agreed with the auditors, it would not be cost effective or possible to compile financial statements in terms of SA GAAP due to their size, they may prepare their financial statements on an entity specific basis of accounting as envisaged by South African Auditing Practice Statement (SAAPS) 2. This would typically apply to hospital boards, committees, museums, funds and trusts, et al. The audit report to be issued will be as detailed in paragraph 2 hereunder.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Notices/ GN 648 of 25 May 2007: Directive: Unlisted Entities/ 2. Audit reports - section 20 of the PAA.-In terms of section 20 (2) of the PAA an audit report must reflect at least an opinion or conclusion on whether the annual financial statements of the auditee fairly present, in all material respects, the financ**

**2. Audit reports - section 20 of the PAA.-**In terms of section 20 (2) of the PAA an audit report must reflect at least an opinion or conclusion on whether the annual financial statements of the auditee fairly present, in all material respects, the financial position at a specific date and the results of its operations and cash flow for the period which ended on that date in accordance with the applicable financial framework and legislation.

In this respect I have determined that where an auditee prepares financial statements on an entity specific basis of accounting (in the absence of formal guidance by legislation), no opinion on the fair presentation of the financial statements will be expressed and an opinion will only be given on whether the financial statements have been prepared, in all material respects, in accordance with the basis of accounting as disclosed, in terms of South African Auditing Practice Statement (SAAPS) 2.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Notices/ GN 648 of 25 May 2007: Directive: Unlisted Entities/ 3. Submission of audit reports - section 21 of the PAA.-Where an audit is undertaken in terms of the requirements of the PAA, and there is no applicable legislation setting out the period within which the audit report is to be submitted to the relative**

**3. Submission of audit reports - section 21 of the PAA.-**Where an audit is undertaken in terms of the requirements of the PAA, and there is no applicable legislation setting out the period within which the audit report is to be submitted to the relative legislature, the Auditor-General must, in terms of section 21 (2) of the PAA, submit such audit report to the relevant legislature within a reasonable time. I have determined a period of up to a maximum of six months after the financial year-end of the auditee, depending on the circumstances, to be a reasonable time.

Any enquiry related to this notice should be addressed to:

J H van Schalkwyk  
Business Executive: Audit Research and Development  
The Auditor-General  
Tel: (012) 422 9823  
Fax (012) 422 9822  
Email: janvs@agsa.co.za

Signed and approved:

T M Nombembe  
Auditor-General

*Glossary:*

GAAP = Generally Accepted Accounting Practice  
ISA = International Standards on Auditing  
PAA = Public Audit Act, 2004 (Act [No. 25 of 2004](#))  
SAAPS = South African Auditing Practice Statement



## AUDITOR-GENERAL

### To the accounting authorities/officers of auditees for which legislation is not prescriptive in respect of the financial statements

1 April 2007

Dear Madam/Sir

#### Auditor-General Audit Circular 1 of 2007

##### Repeal of prior circular

1. Auditor-General Audit Circular 1 of 2005 is hereby withdrawn and replaced by the requirements as set out in this circular. This circular is effective for financial periods beginning on or after 1 April 2007 and will apply until further notice; a similar circular will not necessarily be issued annually.

##### Authority

2. This circular is issued based on the powers conferred on the Auditor-General in terms of [section 14 \(2\) \(b\)](#) of the Public Audit Act, 2004 (Act [No. 25 of 2004](#)) (PAA):

*Financial statements submitted by an auditee which is not subject to the Public Finance Management Act or the Municipal Finance Management Act, must be submitted within the period, be in a format, contain the information and otherwise comply with any requirements determined*

- (a) *by any legislation applicable to that auditee; or*
- (b) *in the absence of such legislation by the Auditor-General.*

##### Scope

3. The requirements set out in this circular are applicable to all auditees for which the format and submission period of, the information to be contained in, and other requirements in respect of the financial statements are not prescribed by any legislation. (The term "auditee" is defined in the "Definitions" paragraph below.)
4. This circular is in no way intended to supersede the requirements of any legislation. Consequently, where an auditee is subject to legislation such as the Public Finance Management Act, 1999 (Act [No. 1 of 1999](#)) (PFMA), the Municipal Finance Management Act, 2003 (Act [No. 56 of 2003](#)) (MFMA), auditee-specific enabling legislation or any other applicable legislation, which is prescriptive in terms of the financial statements, such legislation takes precedence over this circular.
5. The accounting authority/officer should identify the auditee's legal form, i.e. public entity, trading entity, municipal entity, etc. and ensure compliance with all applicable legislation. Only in instances where the applicable legislation is not prescriptive in terms of the financial statements are auditees required to comply with this circular.
6. It is important to note that only section 47 of the PFMA is applicable to auditees that meet the definition of a public entity contained in the PFMA, but that have not been listed as such in either schedule 2 or 3 of the PFMA. Consequently, the PFMA sections prescribing the format and submission period of, the information to be contained in, and other requirements in respect of the financial statements are not applicable to unlisted public entities.
7. Section 47 (2) of the PFMA requires the accounting authority of an unlisted public entity to notify the National Treasury without delay, in writing, that the entity is not listed. The Minister of Finance, by notice in the national *Government Gazette*, must then amend the appropriate PFMA schedule to include in the schedule all unlisted public entities (section 47 (1) (a) of the PFMA).
8. All unlisted public entities should comply with the requirements of section 47 of the PFMA; and the Auditor-General

encourages them to do so. Non-compliance may be reflected in an emphasis of matter paragraph in the audit report. Unlisted public entities should also take cognisance of the various PFMA reporting requirements and should prepare to comply fully with the PFMA requirements upon listing.

## **Financial statement requirements**

9. The following requirements with regard to the annual financial statements are applicable to auditees for which the applicable legislation is not prescriptive in terms of the financial statements:

### Format of financial statements

10. The annual financial statements must consist of the following:

- . The accounting authority's/officer's report
- . Statement of financial position
- . Statement of financial performance
- . Statement of changes in net assets
- . Cash-flow statement
- . Accounting policies and notes to the annual financial statements

11. The annual financial statements must be prepared in accordance with South African Statements of Generally Accepted Accounting Practice (Statements of GAAP), except where, as agreed with their auditors, this may not be cost effective or possible due to the size of the entity.

12. Timely consultation with the auditors on any matters affecting the compilation of the financial statements is recommended to speed up the finalisation of the statements.

### Information to be contained in the financial statements and annual report

13. The financial statements and annual report must, by means of figures and a descriptive report, explain any matters and information of public interest and material to the affairs of the auditee.

14. In terms of section 14 (2) (b) of the PAA, the Auditor-General may also determine any further information to be contained in the financial statements. Consequently, the Auditor-General requires the following information to be included in the financial statements and annual report:

15. Information to be disclosed in the financial statements:

- . Any material losses through criminal conduct that occurred during the financial year<sup>1</sup>
- . Any irregular, or fruitless and wasteful expenditure that occurred during the financial year<sup>1</sup>
- . Any criminal or disciplinary steps taken as a consequence of losses through criminal conduct or irregular, or fruitless and wasteful expenditure<sup>1</sup>
- . Any losses recovered or written off
- . Any financial assistance received from the state and commitments made by the state on the auditee's behalf
- . The remuneration for the last financial period in respect of the following members or persons, both in aggregate and per member or person:

Members of the accounting authority

The accounting officer

The chief executive officer or the person in charge of the auditee

The chief financial officer

Persons serving on the auditee's senior management

Members or persons listed above, serving in other entities under the ownership control of the auditee

The remuneration disclosure must indicate the following:

Fees for services as a member or person listed above

The basic salary

Bonuses and performance-related payments

Sums paid by way of expense, salary or other allowances

Contributions made to any pension fund, medical aid, insurance scheme, etc.

Any commission, gain or profit-sharing arrangements

Any share options, including their strike price and period

Any other material benefits received

16. Information to be disclosed elsewhere in the annual report:

- . The auditee's performance against predetermined objectives, specifically:
  - particulars of the auditee's strategic objectives and outcomes as identified and agreed on by the executive authority
  - the key performance measures and indicators for assessing the auditee's performance in delivering the desired outcomes and objectives
  - the auditee's actual performance against the strategic objectives and outcomes
- . Public-private partnership (PPP) agreements<sup>2</sup>
- . The audit committee's report on:
  - whether the audit committee has adopted formal terms of reference
  - whether the committee satisfied its responsibilities for the year, in compliance with its terms of reference
  - the effectiveness of the auditee's internal controls
  - the audit committee's evaluation of the auditee's financial statements
- . Any other matters of public interest

#### Submission of financial statements and annual report

##### *Time frames - financial statements*

17. The financial statements, including the accounting authority's/officer's report, must be submitted to the Auditor-General for auditing within two months after the end of the financial year. Should financial statements not be received within this time frame, the late submission of the financial statements will be reflected in the audit report.
18. No further changes may be made to the financial statements once they have been submitted to the Auditor-General.
19. Where the financial statements require material/significant changes in nature and/or amount, based on the audit findings, the financial statements will be handed back to the auditee, should they wish to effect the necessary changes. The finalised financial statements, adjusted for material/significant audit findings, must be submitted to the Auditor-General within four months after the end of the financial year. This matter will be reflected in the audit report.
20. Should the Auditor-General not receive the finalised financial statements within four months after the end of the financial year or if the auditee declines to effect any changes to the financial statements resulting from material/significant audit findings, the audit report will be issued based on the latest version of the financial statements in his possession.

##### *Time frames - annual report*

21. The annual report must be submitted to the Auditor-General for review within three months after the end of the financial year. No further changes may be made to the annual report once it has been submitted to the Auditor-General. If on reviewing the annual report, the auditor identifies material inconsistencies with the financial statements, feedback regarding the required amendments to the annual report will be provided to the auditee and such changes must be effected within four months after the end of the financial year.
22. The final printer's proof of the annual report and financial statements must be sent to the Auditor-General for review before it is returned to the printers, in order to ensure that the published annual report and financial statements do not differ from those submitted to, audited by and reported on by the Auditor-General.

##### *Time frames - published annual report and financial statements*

23. The accounting authority/officer must submit the annual report, financial statements and the audit report thereon within five months after the end of the financial year to the relevant treasury and to the executive authority responsible for the auditee. The executive authority is responsible for tabling the annual report, financial statements and the accompanying audit report in the National Assembly or provincial legislature, as may be appropriate, within one month after the accounting authority/officer has received the audit report.

##### *Number of copies*

24. Two copies of the financial statements and the annual report should be submitted to the Auditor-General for auditing.
25. Fifteen copies of the final, printed annual report should be delivered to the Resource Centre of the Auditor-General at Lefika House, 300 Middel Street, Pretoria.

##### *Signatories*

26. The financial statements and annual report should be signed and dated by the accounting authority/officer before submission to the Auditor-General for auditing.

#### **Definitions**

27. For purposes of this circular, the terms listed below are defined as follows:

##### **"Accounting authority"** means:

- . the board or controlling body of the auditee, if the auditee has a board or controlling entity, or
- . the chief executive officer or the other person in charge of the auditee, if the auditee does not have a board or controlling entity unless specific legislation applicable to that auditee designates another person as the accounting authority.

**"Accounting officer"** means the chief executive officer of the auditee.

**"Auditee"** means an auditee as defined in section 1 of the PAA.

**"Executive authority"**-

- . in relation to a national auditee, means the Cabinet member who is accountable to Parliament for that auditee and
- . in relation to a provincial auditee, means the member of the Executive Council who is accountable to the provincial legislature for that auditee or in whose portfolio it falls.

**"Fruitless and wasteful expenditure"** means expenditure that was made in vain and would have been avoided had reasonable care been exercised.

**"Institutional function"** means:

- . a service, task, assignment or other function that an auditee is entitled or obliged to perform-
  - in the public interest, or
  - on behalf of the public service generally, or
- . any part or component of or any service, task, assignment or other function performed or to be performed in support of such a service, task, assignment or other function.

**"Irregular expenditure"** means expenditure, other than unauthorised expenditure, incurred in contravention of, or that is not in accordance with, a requirement of any applicable legislation.

**"Public-private partnership"** means a commercial transaction between an auditee and a private party in terms of which the private party:

- . performs an institutional function on behalf of the auditee and/or
- . acquires the use of state property for its own commercial purposes and
- . assumes substantial financial, technical and operational risks in connection with the performance of the institutional function and/or use of state property and
- . receives a benefit for performing the institutional function or from utilising the state property, either by way of-
  - consideration to be paid by the auditee which derives from a revenue fund or, where the auditee is a national government business enterprise or a provincial government business enterprise, from the revenues of such auditee, or
  - charges or fees to be collected by the private party from users or customers of a service provided to them, or
  - a combination of such consideration and such charges or fees.

**"PPP agreement"** means a written contract recording the terms of a PPP concluded between an auditee and a private party.

**"Senior management"** refers to the level of management that is directly accountable to the chief executive officer or to the person in charge of the public entity.

## Abbreviations

28. MFMA: Municipal Finance Management Act, 2003 (Act [No. 56 of 2003](#))  
PAA: Public Audit Act, 2004 (Act [No. 25 of 2004](#))  
PFMA: Public Finance Management Act, 1999 (Act [No. 1 of 1999](#))  
PPP: Public-private partnership

Statements of GAAP: Statements of Generally Accepted Accounting Practice

29. Any query related to this notice should be addressed to the following office:

J H van Schalkwyk  
Business Executive: Audit Research and Development  
The Auditor-General  
Tel: (012) 422 9823  
Fax (012) 422 9822  
Email: janvs@agsa.co.za

Yours faithfully

TM Nombembe  
Auditor-General



1 April 2005

## AUDIT CIRCULAR 1 OF 2005

### TO THE ACCOUNTING AUTHORITIES/OFFICERS OF AUDITEES FOR WHICH LEGISLATION IS NOT PRESCRIPTIVE IN RESPECT OF THE FINANCIAL STATEMENTS

#### 1. Introduction

The enactment of the Public Audit Act, 2004 (Act [No. 25 of 2004](#)) and the simultaneous repeal of the Auditor-General Act, 1995 (Act [No. 12 of 1995](#)) have necessitated a revision of Audit Circular 1 of 2003. As a result, Audit Circular 1 of 2003 is hereby withdrawn and is replaced by the requirements as set out in this circular. This circular is effective for financial periods beginning on or after 1 April 2005 and will apply until further notice; a similar circular will not necessarily be issued annually.

#### 2. Authority

This circular is issued based on the rights conferred on the Auditor-General in terms of section 14 (2) (b) of the PAA:

"Financial statements submitted by an auditee which is not subject to the Public Finance Management Act or the Municipal Finance Management Act, must be submitted within the period, be in a format, contain the information and otherwise comply with any requirements determined-

- (a) by any legislation applicable to that auditee; or
- (b) in the absence of such legislation by the Auditor-General."

#### 3. Scope

The requirements set out in this circular are applicable to all auditees for which the format and submission period of, the information to be contained in, and other requirements in respect of the financial statements are not prescribed by any legislation. The term "auditee" is defined in paragraph 5 below.

This circular is in no way intended to supersede the requirements of any legislation. Consequently, where an auditee is subject to legislation such as the Public Finance Management Act, 1999 (Act [No. 1 of 1999](#)), the Municipal Finance Management Act, 2003 (Act [No. 56 of 2003](#)), auditee-specific enabling legislation or any other applicable legislation, which is prescriptive in terms of the financial statements, such legislation takes precedence over this circular.

As a first step, the accounting authority/officer of any auditee therefore needs to identify the auditee's legal form, i.e. public entity, trading entity, etc. and ensure compliance with all applicable legislation.

It is important to note that only section 47 of the PFMA is applicable to auditees that meet the definition of a public entity contained in the PFMA, but that have not been listed as such in either schedule 2 or 3 of the PFMA. Section 47 (2) of the PFMA requires the accounting authority of an unlisted public entity to notify the National Treasury without delay, in writing, that the entity is not listed. The Minister of Finance, by notice in the national Government Gazette, must then amend the appropriate PFMA schedule to include in the schedule all unlisted public entities (section 47 (1) (a) of the PFMA).

All unlisted public entities should comply with the requirements of section 47 of the PFMA; and the Auditor-General encourages them to do so. Non-compliance may be reflected in an emphasis of matter paragraph in the Auditor-General's report. Unlisted public entities should also take cognisance of the various PFMA reporting requirements and should prepare to comply fully with the PFMA requirements upon listing.

As the PFMA requirements, with the exception of section 47, are not applicable to unlisted public entities, such entities should comply with this circular, along with any other auditees for which their applicable legislation is not prescriptive in terms of the financial statements.

#### 4. Financial statement requirements

The following requirements with regard to the annual financial statements are applicable to auditees for which the applicable legislation is not prescriptive in terms of the financial statements:

##### 4.1 Format of financial statements

The annual financial statements must consist of:

- U an accounting authority's/officer's report;
- U a balance sheet;
- U an income statement;
- U a statement of changes in equity;
- U a cash-flow statement; and
- U accounting policies and notes to the annual financial statements.

The annual financial statements must be prepared in accordance with *generally accepted accounting practice* (gaap). Should these statements materially depart from *Statements of Generally Accepted Accounting Practice* (Statements of GAAP), the financial statements must provide disclosure of the departure, the particulars thereof,

the reasons therefore and the effect of such departure on the financial statements.<sup>1</sup>

Timely consultation with the auditors with regard to any matters affecting the compilation of the financial statements is recommended to speed up the finalisation of the statements.

#### 4.2 Information to be contained in the financial statements

The financial statements and annual report must, by means of figures and a descriptive report, explain any matters and information of public interest and material to the affairs of the auditee.

In terms of section 14 (2) (b) of the PAA, the Auditor-General may also determine any further information to be contained in the financial statements. In addition to the format of the financial statements prescribed in paragraph 4.1 above, the Auditor-General requires the following information to be included in the financial statements and annual report:

##### Information to be disclosed in the financial statements:

- U any material losses through criminal conduct that occurred during the financial year<sup>2</sup>;
- U any unauthorised, irregular, or fruitless and wasteful expenditure that occurred during the financial year<sup>2</sup>;
- U any criminal or disciplinary steps taken as a consequence of such losses through criminal conduct or unauthorised, irregular, or fruitless and wasteful expenditure<sup>2</sup>;
- U any losses recovered or written off<sup>2</sup>;
- U any financial assistance received from the state and commitments made by the state on the auditee's behalf;
- U the financial statements of subsidiaries; and
- U the remuneration for the last financial period in respect of the following members or persons, both in aggregate and per member or person:
  - . members of the accounting authority;
  - . the accounting officer;
  - . the chief executive officer or the person in charge of the auditee;
  - . the chief financial officer;
  - . persons serving on the auditee's senior management; and
  - . members or persons listed above, serving in other entities under the ownership control of the auditee.

The remuneration disclosure must indicate:

- . fees for services as a member or person listed above;
- . the basic salary;
- . bonuses and performance-related payments;
- . sums paid by way of expense, salary or other allowances;
- . contributions made to any pension fund, medical aid, insurance scheme, etc.;
- . any commission, gain or profit-sharing arrangements;
- . any share options, including their strike price and period; and
- . any other material benefits received.

##### Information to be disclosed elsewhere in the annual report:

- U the auditee's performance against predetermined objectives<sup>3</sup>;
- U public-private partnership agreements<sup>4</sup>;
- U the audit committee's report on:
  - . whether the audit committee has adopted formal terms of reference and if so, whether the committee satisfied its responsibilities for the year, in compliance with its terms of reference;
  - . the effectiveness of the auditee's internal controls; and
  - . the audit committee's evaluation of the auditee's financial statements; and
- U any other matters of public interest.

In addition to the Auditor-General's opinion on the fair presentation of the financial statements of the auditee, the Auditor-General's report may reflect an opinion or conclusion on at least the following:

- U the auditee's compliance with any applicable legislation relating to financial matters, financial management and other related matters;
- U the reported information relating to the performance of the auditee against predetermined objectives;

- U whether the auditee's resources were procured economically and utilised efficiently and effectively; and
- U any other matter within the functions of the Auditor-General that is in the public interest.

### 4.3 Submission of financial statements

#### a. Time frame

The financial statements, including the accounting authority's/officer's report, must be submitted to the Auditor-General for auditing within two months after the end of the financial year. Should financial statements not be received within this time frame the Auditor-General's report will be issued in the absence of financial statements.

No further changes may be made to the financial statements once they have been submitted to the Auditor-General.

Where the financial statements require material/significant changes in nature and/or amount, based on the audit findings, the financial statements will be handed back to the auditee, should they wish to effect the necessary changes. The finalised financial statements, adjusted for material/significant audit findings, must be submitted to the Auditor-General within four months after the end of the financial year. This matter will be reflected as an emphasis of matter in the Auditor-General's report.

Should the Auditor-General not receive the finalised financial statements within four months after the end of the financial year or if the auditee declines to effect any changes to the financial statements resulting from material/significant audit findings, the Auditor-General's report will be issued based on the latest version of the financial statements in his possession.

The annual report must be submitted to the Auditor-General for review within three months after the end of the financial year. No further changes may be made to the annual report once it has been submitted to the Auditor-General. If on reviewing the annual report, the auditor identifies material inconsistencies with the financial statements, feedback regarding the required amendments to the annual report will be provided to the auditee and such changes must be effected within four months after the end of the financial year.

The printer's proof of the annual report and financial statements must be sent to the Auditor-General for review before it is sent to the printers, in order to ensure that the published annual report and financial statements do not differ from those submitted to, audited by and reported on by the Auditor-General.

The accounting authority/officer must submit the annual report, financial statements and the Auditor-General's report thereon within five months after the end of the financial year to the relevant treasury and to the executive authority responsible for the auditee. The executive authority is responsible for tabling the annual report, financial statements and the accompanying audit report in the National Assembly or provincial legislature, as may be appropriate, within one month after the accounting authority/officer received the audit report.

#### b. Number of copies

Two copies of the financial statements and the annual report should be submitted to the Auditor-General.

#### c. Signatories

The financial statements and annual report should be signed and dated by the accounting authority/officer before submission to the Auditor-General for auditing.

## 5. Definitions

For purposes of this circular, the terms listed below are defined as follows:

**"Accounting authority"** means:

- U the board or controlling body of the auditee, if the auditee has a board or controlling entity; or
- U the chief executive officer or the other person in charge of the auditee, if the auditee does not have a board or controlling entity; unless specific legislation applicable to that auditee designates another person as the accounting authority.

**"Accounting officer"** means the chief executive officer of the auditee.

**"Auditee"** means an auditee as defined in section 1 of the PAA.

**"Executive authority"**-

- U in relation to a national auditee, means the Cabinet member who is accountable to Parliament for that auditee; and
- U in relation to a provincial auditee, means the member of the Executive Council who is accountable to the provincial legislature for that auditee or in whose portfolio it falls.

**"Fruitless and wasteful expenditure"** means expenditure that was made in vain and would have been avoided had reasonable care been exercised.

**"Institutional function"** means-

- U a service, task, assignment or other function that an auditee is entitled or obliged to perform-
  - . in the public interest; or



- . on behalf of the public service generally; or
- U any part or component of or any service, task, assignment or other function performed or to be performed in support of such a service, task, assignment or other function.

**"Irregular expenditure"** means expenditure, other than unauthorised expenditure, incurred in contravention of, or that is not in accordance with, a requirement of any applicable legislation.

**"Public-private partnership"** means a commercial transaction between an auditee and a private party in terms of which the private party-

- U performs an institutional function on behalf of the auditee; and/or
- U acquires the use of state property for its own commercial purposes; and
- U assumes substantial financial, technical and operational risks in connection with the performance of the institutional function and/or use of state property; and
- U receives a benefit for performing the institutional function or from utilising the state property, either by way of:
  - . consideration to be paid by the auditee which derives from a revenue fund or, where the auditee is a national government business enterprise or a provincial government business enterprise, from the revenues of such auditee; or
  - . charges or fees to be collected by the private party from users or customers of a service provided to them; or
  - . a combination of such consideration and such charges or fees.

**"PPP agreement"** means a written contract recording the terms of a PPP concluded between an auditee and a private party.

**"Unauthorised expenditure"** means:

- U overspending of a vote or a main division within a vote;
- U expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

## 6. Abbreviations

GAAP:	generally accepted accounting practice
MFMA:	Municipal Finance Management Act, 2003 (Act <a href="#">No. 56 of 2003</a> )
PAA:	Public Audit Act, 2004 (Act <a href="#">No. 25 of 2004</a> )
PFMA:	Public Finance Management Act, 1999 (Act <a href="#">No. 1 of 1999</a> )
PPP:	Public-private partnership

Statements of GAAP: Statements of Generally Accepted Accounting Practice

I would like to express my appreciation for your cooperation in this regard. Please acknowledge receipt of this letter.

**S A FAKIE**  
**AUDITOR-GENERAL**

Pretoria  
1 April 2005

## Footnotes

- 1 This information should be disclosed in a note to the annual financial statements of the auditee.
- 2 The following should be disclosed for each PPP:
  - . Reasons for the existence of the PPP
  - . Nature and main characteristics of the partnership
  - . Accountability arrangements
  - . Effectiveness of the partnership
  - . Financial arrangements
- 1 Definitions and further discussions on the issue of gaap versus Statements of GAAP can be found in Circular 8 of 1999, issued by the South African Institute of Chartered Accountants.
- 2 This information should be disclosed as a note to the annual financial statements of the auditee.
- 3 Particulars of the auditee's strategic objectives and outcomes as identified and agreed on by the executive authority, the key performance measures and indicators for assessing the auditee's performance in delivering the desired outcomes and objectives and the auditee's actual performance against the strategic objectives and outcomes, must be disclosed in the auditee's annual report.
- 4 The following should be disclosed for each PPP:
  - . Reasons for the existence of the PPP;

- . Nature and main characteristics of the partnership;
- . Accountability arrangements;
- . Effectiveness of the partnership; and
- . Financial arrangements.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Notices/ GN 1570 of 27 November 2009: Audit functions performed by the AGSA (Government Gazette No. 32758)**

**GN 1570 of 27 November 2009: Audit functions performed by the AGSA  
(Government Gazette No. 32758)**

AUDITOR-GENERAL OF SOUTH AFRICA

1. Under the powers vested in me by [section 2 \(b\)](#) of the Public Audit Act, 2004 (Act [No. 25 of 2004](#)) (hereafter referred to as the PAA), I, Terence Mncedisi Nombembe, Auditor-General of the Republic of South Africa, hereby determine the following:

**A. AUDIT FUNCTIONS PERFORMED BY THE AGSA IN TERMS OF THE PUBLIC AUDIT ACT, 2004 (ACT [No. 25 of 2004](#))**

**Evaluation of public finance management**

2. The success of transformation in public sector financial management is evaluated as part of the outcomes of the annual regularity audit process. Accordingly, the auditor's report reflects views on:
  - . financial information (through the auditor's opinion on the financial statements)
  - . performance information (based on the audit findings on performance against predetermined objectives reflected under *Reporting on other legal and regulatory requirements* in the auditor's report)
  - . internal control (reflected in the analysis of internal control deficiencies that resulted in qualifications of the auditor's opinion under *Other matters* in the auditor's report)
  - . non-compliance with applicable laws and regulations relating to financial matters, financial management and other related matters (reflected under *Other matters* in the auditor's report where it does not directly impact the auditor's opinion on the financial statements)
  - . any other pertinent matters related to key governance responsibilities (reflected under *Other matters* in the auditor's report).

**Auditor's opinion on the financial statements**

3. In terms of [section 13 \(1\) \(a\)](#) of the PAA, the entire suite of auditing pronouncements issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) will be applied in all regularity audits conducted by public sector auditors. In applying these standards all public sector auditors will take cognisance of the principles and guidance contained in the International Standards of Supreme Audit Institutions (ISSAIs) to ensure that a public sector perspective is incorporated in the performance of all public sector audits.
4. The International Organization of Supreme Audit Institutions (INTOSAI) is in the process of developing a collection of professional standards and best practice guidelines for public sector auditors to be known as the ISSAIs. The ISSAIs will state the basic prerequisites for the proper functioning and professional conduct of Supreme Audit Institutions (SAIs) and the fundamental principles of auditing in the public sector. When fully developed, it is envisaged that the ISSAIs will incorporate the International Standards on Quality Control (ISQCs) and International Standards on Auditing (ISAs) issued by the IAASB. As soon as the ISSAIs represent a complete auditing framework, I will consider adopting these for application in all regularity audits conducted in the public sector.

**Auditing of performance against predetermined objectives - [sections 20 \(2\) \(c\)](#) and [28 \(1\) \(c\)](#) of the PAA**

5. The objective of an audit of performance information is to enable the auditor to conclude whether the reported performance against predetermined objectives is reliable, accurate and complete, in all material respects, based on predetermined criteria.
6. The following are the sources of criteria against which the subject matter will be evaluated as a basis for the audit conclusions:
  - . All relevant laws and regulations
  - . Framework for the managing of programme performance information, issued by the National Treasury
  - . Relevant frameworks, circulars and guidance issued by the National Treasury and the Presidency regarding the planning, management, monitoring and reporting of performance information.
7. All departments, institutions, municipalities and entities subject to audit in terms of this notice are required to submit their annual performance reports for auditing together with the annual financial statements within two months after the end of the financial year.
8. In terms of [section 13 \(1\) \(b\)](#) of the PAA, a phasing-in approach has been adopted to implementing [sections 20](#) and [28](#) of the PAA. This will constitute a review of the policies, processes, systems and procedures for the management of and reporting on performance against predetermined objectives as part of the regularity audit process.
9. Material shortcomings in the process, systems and procedures of reporting against predetermined objectives, which may come to the attention of the auditor and may impact on the public interest, will be reported in the *Report on other*

legal and regulatory requirements section of the auditor's report until such time as the environment shows a state of readiness to provide reasonable assurance in the form of an audit opinion.

10. In addition to the above and as part of the readiness strategy, an audit conclusion will be prepared on the reporting of performance against predetermined objectives for the following categories of entities:
  - . National and provincial departments, constitutional institutions and trading entities
  - . National and provincial public entities
  - . Municipal metropolitan councils and their related municipal entities.

The audit conclusions in this regard will be prepared in terms of the International Standard on Assurance Engagements (ISAE) 3000: *Assurance engagements other than audits or reviews of historical financial information* and will be issued as an annexure to the management report.

**Compliance with any applicable legislation relating to financial matters, financial management and other related matters - [sections 20 \(2\) \(b\)](#) and [28 \(1\) \(b\)](#) of the PAA**

11. In terms of [sections 20 \(2\) \(b\)](#) and [28 \(1\) \(b\)](#) of the PAA, the auditor's report must reflect an opinion or conclusion on the auditee's compliance with any applicable legislation relating to financial matters, financial management and other related matters.
12. Conclusions in this regard will be reached as part of the financial auditing process in terms of the International Standard on Auditing (ISA) 250: *Consideration of Laws and Regulations in an Audit of Financial Statements*.

**Other legislative functions**

13. In terms of the PAA, public sector auditors also fulfil other responsibilities such as performance audits, investigations, special audits and related services. The standards that guide these processes are determined in paragraphs 14 to 17 below.

**Performance audits - [section 20 \(3\)](#) of the PAA**

14. In terms of [section 13 \(1\) \(a\)](#) of the PAA, the ISSAIs, with specific reference to the ISSAI 3000 series, issued by INTOSAI's Professional Standards Committee (PSC) have been adopted for application in all performance audits conducted in the public sector.

**Investigations - [section 5 \(1\) \(d\)](#) of the PAA**

15. In terms of [section 13 \(1\) \(a\)](#) of the PAA, *The Standards and Guidelines: Investigations* have been developed by the AGSA for conducting investigations.

**Special audits - [section 5 \(1\) \(d\)](#) of the PAA**

16. In terms of [section 13 \(1\) \(a\)](#) of the PAA, these audits are conducted in accordance with International Standard on Related Services (ISRS) 4400: *Engagements to perform Agreed-upon Procedures regarding Financial Information* issued by the IAASB.

**Audit-related services - [section 5 \(1\) \(a\)](#) of the PAA**

17. In terms of [section 13 \(1\) \(a\)](#) of the PAA, these audits are conducted in accordance with International Standard on Related Services (ISRS) 4400: *Engagements to perform Agreed-upon Procedures regarding Financial Information* issued by the IAASB and *Audit-Related Services: Policy and guideline* developed by the AGSA.

**Donor funding**

18. Public sector reports on donor funds are issued in accordance with ISA 800 *Special Considerations - Audits of Financial Statements prepared in accordance with Special Purpose Frameworks* or in terms of ISA 805: *Special Considerations - Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*.

**B. AUDITS OF PUBLIC ENTITIES AND OTHER INSTITUTIONS NOT PERFORMED BY THE AGSA**

**Audits of public entities listed in the Public Finance Management Act, 1999 (Act [No. 1 of 1999](#)) and any other institutions envisaged by [section 4 \(3\) \(b\)](#) of the PAA**

19. In terms of [section 25 \(1\) \(a\)](#) of the PAA, I opt not to perform the audits of any institutions referred to in [section 4 \(3\)](#) of the PAA, which are not already being audited by me, for the 2010-11 and following financial year, unless advised otherwise prior to the start of the auditee's financial year.

**Appointment of auditors - [section 25](#) of the PAA**

20. An auditee may proceed to appoint its own auditors as stipulated by [section 25 \(1\) \(b\)](#), read with [section 25 \(4\)](#) of the PAA, if not advised before the start of the financial year that the AGSA will perform the audit.
21. In this regard, the document: *Consultation of the Auditor-General (AG) on the appointment of an auditor*, attached hereto, should be completed in full as indicated.
22. If I have opted to perform the audit of an entity, such entity may not seek to or appoint alternative auditors.

**Responsibilities of auditors in public practice - part 2 of chapter 3 of the PAA**

23. Auditors in public practice appointed to audit institutions in terms of [section 25 \(1\) \(b\)](#) of the PAA should take cognisance of and must apply the content of this *General Notice* where applicable, as well as the requirements contained in [sections 25](#) to [27](#) of the PAA dealing with the following matters:
  - . Appointment of auditors ([section 25](#))
  - . Discharge of auditors ([section 26](#))

Duties and powers of auditors ([section 27](#)) when conducting audits in the public sector.

24. In terms of the requirements of [section 28](#) of the PAA, the appointed auditor must:

in respect of subsections (1) (a), (b) and (c), comply with the matters as stipulated in sections A, C and D of this *gazette*.

in respect of subsection (3) (c), furnish the AGSA with:

? three copies of the auditor's report, together with a copy of the audited financial statements, within five months after the financial year-end; and

? three copies of the annual report, within six months after the financial year-end.

This information must be furnished to the AGSA's Audit Research and Development unit and must be supplied both in hard copy and on CD.

25. Compliance with the provisions of the PAA and this *General Notice* in conducting an audit in terms of 25 (1) (b) of the PAA will be monitored by the AGSA. A checklist and guidance on the minimum requirements to be adhered to by the appointed auditor will be posted on the AGSA website. The appointed auditor must complete the relevant checklist and furnish it within five months after the financial year-end to the AGSA's Audit Research and Development unit, either in hard copy or on CD.

26. Should a registered auditor be found to be in contravention of these requirements or any provision of the PAA, the Auditing Profession Act, 2005 (Act [No. 26 of 2007](#)) (hereafter referred to as the APA) or any act with which it is his/her duty to comply in his/her capacity as a registered auditor, a complaint or charge of improper conduct may be made to the Independent Regulatory Board for Auditors' (IRBA) Investigating Committee against auditors in public practice, appointed in terms of [section 25 \(1\) \(b\)](#) of the PAA.

27. In addition, I may lay a complaint or a charge of improper conduct with the IRBA's Investigating Committee against auditors in public practice, appointed in terms of [section 25 \(1\) \(b\)](#) of the PAA, if it comes to my attention that the registered auditor conducts himself/herself in a manner which is improper, discreditable, unprofessional, dishonourable or unworthy of a registered auditor or which brings the accounting profession into disrepute.

#### **C. AUDITEES FOR WHICH LEGISLATION IS NOT PRESCRIPTIVE IN RESPECT OF THE FINANCIAL STATEMENTS - SECTION 14 (2) (b) OF THE PAA**

28. In terms of [section 14 \(2\) \(b\)](#) of the PAA, financial statements submitted by an auditee that is not subject to the PFMA of MFMA must be submitted within the period and in a format, and contain the information as required by and otherwise comply with any legislation applicable to the auditee or, in the absence of such legislation, any requirements determined by the AGSA.

29. This notice sets out for all auditees the format and submission period, as well as the information and other requirements relating to financial statements *not* prescribed in any legislation, but is in no way intended to supersede the requirements of any applicable legislation. Consequently, where an auditee is subject to legislation such as the PFMA, the MFMA, auditee-specific enabling legislation or any other applicable legislation that is prescriptive in terms of the financial statements, such legislation takes precedence over this notice.

30. Section 47 (2) of the PFMA requires the accounting authority of an unlisted public entity to notify the National Treasury without delay, in writing, that the entity is not listed. The Minister of Finance, by notice in the national *Government Gazette*, must then amend the appropriate PFMA schedule to include such unlisted public entity (section 47 (1) (a) of the PFMA).

31. The accounting authority/officer should identify the auditee's legal form, i.e. public entity, trading entity, municipal entity, etc. and ensure compliance with all applicable legislation. Only in instances where the applicable legislation is not prescriptive in terms of the financial statements are auditees required to comply with paragraph 32.

32. The financial statements must be prepared in accordance with the Generally Recognised Accounting Practice (GRAP) reporting framework issued by the Accounting Standards Board (ASB) and must comply with the PFMA requirements as they pertain to the format of and information to be contained in the financial statements, as well as the period within which the financial statements are to be submitted.

33. In the case of an audit conducted in terms of the PAA where there is no applicable legislation setting out the period within which the auditor's report is to be submitted to the relevant legislature, the Auditor-General must, in terms of [section 21 \(2\)](#) of the PAA, submit such auditor's report to the relevant legislature as per the requirements of the PFMA in this regard.

34. *Auditor-General Audit Circular 1 of 2007* is hereby withdrawn and replaced by the requirements as set out in paragraphs 27-32 which are effective for financial periods beginning on or after 1 April 2009.

#### **D. ASSESSMENT AND RECOGNITION OF THE FINANCIAL REPORTING FRAMEWORKS AND BASES OF ACCOUNTING APPLICABLE IN THE PUBLIC SECTOR**

35. The purpose of an audit is to enhance the degree of confidence of intended users in the financial statements. This is achieved by the expression of an opinion by the auditor on whether the financial statements are prepared, in all material aspects, in accordance with an applicable financial reporting framework.

36. The requirements of the applicable financial reporting framework determine the form and content of the financial statements. Although the framework may not specify how to account for or disclose all transactions or events, it ordinarily embodies sufficiently broad principles that can serve as a basis for developing and applying accounting policies that are consistent with the concepts underlying the requirements of the framework.

37. The auditor is required to evaluate whether the financial statements are prepared, in all material aspects, in accordance with an applicable financial reporting framework and adequately refer to or describe the applicable financial reporting framework/basis of accounting. The description of the financial reporting framework/basis of

accounting is important because it advises users of the financial statements of the framework/basis of accounting on which the financial statements are based.

38. The form of opinion expressed by the auditor will depend on the applicable financial reporting framework and any applicable law or regulation.
39. Without an acceptable financial reporting framework, management does not have an appropriate basis for the presentation of the financial statements and the auditor does not have suitable criteria for auditing the financial statements.

#### **Requirements for an acceptable financial reporting framework**

40. The applicable financial reporting framework provides the criteria the auditor uses to audit the financial statements, including, where relevant, fair presentation. As one of the preconditions for an audit, the auditor is required to determine whether the financial reporting framework to be applied in preparation of the financial statements is acceptable.
41. Factors that are relevant to the auditor's evaluation of the acceptability of the financial reporting framework to be applied in the preparation of the financial statements include the purpose of the financial statements, for example, whether they are prepared in a manner that meets the common financial information needs of a wide range of users or the financial information needs of specific users.
42. Acceptable financial reporting frameworks normally exhibit the following attributes that result in information provided in financial statements that is useful to the intended users:
  - . Relevance, in that the information provided in the financial statements is relevant to the nature of the entity and the purpose of the financial statements. For example, in the case of a business enterprise that prepares general purpose financial statements, relevance is assessed in terms of the information necessary to meet the common financial information needs of a wide range of users in making economic decisions. These needs are ordinarily met by presenting the financial position, financial performance and cash flows of the business enterprise.
  - . Completeness, in that transactions and events, account balances and disclosures that could affect conclusions based on the financial statements are not omitted.
  - . Reliability, in that the information provided in the financial statements:
    - ? where applicable, reflects the economic substance of events and transactions and not merely their legal form; and
    - ? results in reasonably consistent evaluation, measurement, presentation and disclosure, when used in similar circumstances.
  - . Neutrality, in that it contributes towards information in the financial statements that is free from bias.
  - . Understandability, in that the information in the financial statements is clear and comprehensive and not subject to significantly different interpretation.

#### **Applicable financial reporting frameworks/basis of accounting**

43. In the public sector there are a number of financial reporting frameworks that are or may be applied. For the 2009-10 financial year I will respond to the financial reporting framework/basis of accounting in public sector audits as detailed hereunder in terms of the International Standards of Auditing that are currently applicable.
44. For the 2010-11 financial year I will reassess this in the context of the redrafted and clarified ISAs, which include the matters set out in paragraphs 35-42.

#### **Financial reporting frameworks**

45. I recognise the following as financial reporting frameworks:
  - . South African Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board
  - . South African Statements of Generally Accepted Accounting Practice (SA Statements of GAAP), as codified by the Accounting Practices Board (APB) and issued by the South African Institute of Chartered Accountants (SAICA); and
  - . International Financial Reporting Standards (IFRSs), issued by the International Accounting Standards Board (IASB).
46. My audit report on auditees that have applied the above financial reporting frameworks in the preparation of their financial statements will be issued in accordance with:
  - . ISA 700: *The Independent Auditor's Report on a Complete Set of General Purpose Financial Statements*; and
  - . ISA 701: *Modifications to the Independent Auditor's Report* (incorporating the principles of the clarified ISAs 705 and 706).

#### **Comprehensive basis of accounting**

47. A comprehensive basis of accounting comprises a set of criteria used in preparing financial statements which applies to all material items and which has substantial support. A comprehensive basis of accounting applies to a **class of entities**. It is a basis of accounting determined by a body other than:
  - . the preparers of the financial statements; or
  - . an authorised/recognised standard-setting body,

and may be codified in legislation or guidance notes, issued by a regulator or professional body.

48. I recognise the framework prescribed by the National Treasury for use by departments in the preparation of their financial statements as a comprehensive basis of accounting.
49. My audit report on auditees that have applied a comprehensive basis of accounting, prescribed by the National Treasury, in the preparation of their financial statements will be issued in accordance with:
- . ISA 800: *The Audit Report on Special Purpose Audit Engagements*; and
  - . ISA 701: *Modifications to the Independent Auditor's Report* (incorporating the principles of the clarified ISAs 705 and 706).
50. In these circumstances the following will also apply:
- . Disclosure by management of the reasons for applying the basis of accounting in question and a general description of the basis of accounting
  - . Reference to this disclosure in the 'Management's responsibility for the financial statements' paragraph in the auditor's report
  - . Reference to this disclosure in my audit opinion
  - . An emphasis of matter drawing the user's attention to this disclosure.

#### **Entity-specific basis of accounting**

51. An entity-specific basis of accounting comprises a set of criteria used in preparing financial statements which applies to all material items and which has been designed specifically for the preparation of the financial statements of an **individual entity**.
52. An exemption/departure/deviation from a financial reporting framework or a comprehensive basis of accounting, whether granted by the National Treasury or adopted by the auditee itself, or a conglomeration of accounting conventions to suit an individual auditee, results in an **entity-specific basis of accounting**.
53. In such instances I will not express my audit opinion in accordance with ISA 700, ISA 701 or ISA 800, but will express a "**prepared in accordance with ...**" audit opinion in terms of:
- . the *International Framework for Assurance Engagements*, read with
  - . South African Audit Practice Statement 2: *Financial Reporting Frameworks and Audit Opinions*.
54. In these circumstances the following will also apply:
- . Disclosure by management of the reasons for applying the basis of accounting and a general description of the basis of accounting
  - . Reference to this disclosure in the 'Management's responsibility for the financial statements' paragraph in the auditor's report
  - . Reference to this disclosure in the audit opinion
  - . An emphasis of matter drawing the user's attention to this disclosure.

#### **E. REPEAL OF PRIOR GOVERNMENT GAZETTES**

55. *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*, is hereby withdrawn and replaced by the requirements as set out in this *General Notice*.

#### **F. EFFECTIVE DATE**

56. This *General Notice* is effective for financial periods beginning on or after 1 April 2009 and will apply until further notice. A similar *General Notice* will not necessarily be issued annually.

#### **G. ENQUIRIES**

57. Any enquiry related to this notice should be addressed to the following office:

Business Executive: Audit Research and Development

Auditor-General of South Africa

Tel. (012) 422 9823

Fax (012) 422 9822

Email: [auditsupport@agsa.co.za](mailto:auditsupport@agsa.co.za)

58. Documentation related to this directive, including the AGSA's reporting guidance, will be available on the AGSA website under the *Technical Memos* link.

Signed and approved:

T M Nombembe

Auditor-General

**CONSULTATION OF THE AUDITOR-GENERAL ON THE APPOINTMENT OR DISCHARGE OF AN AUDITOR IN TERMS OF SECTIONS 25 AND 26 OF THE PUBLIC AUDIT ACT, 2004 (ACT NO. 25 OF 2004)**

**INSTRUCTIONS**

1. This checklist should be completed and submitted with supporting documentation to the AGSA's Audit Research and Development unit.
2. The checklist should be accompanied by a copy of your policy on the appointment of auditors and the allocation of non-audit services to auditors.

**INFORMATION REQUIRED**

3. Particulars of entity:

<b>Name</b>	
<b>Postal address</b>	
<b>Physical address</b>	
<b>Fax number</b>	
<b>Telephone number</b>	
<b>Email address of CFO</b>	
<b>Accounting authority chairperson</b>	
<b>Name</b>	
<b>Contact details</b>	
<b>Responsible minister (executive authority)</b>	
<b>Name</b>	
<b>Contact details</b>	
<b>Responsible department</b>	
<b>Contact person at department</b>	
<b>Financial year in question</b>	

**DISCHARGE OF AUDITOR**

4. Particulars of the audit firm discharged:

	<b>Name(s) of audit firm(s)</b>	<b>Number of years engaged to date</b>
Firm 1		
Firm 2		
Firm 3		
Firm 4		
Firm 5		

5. Provide the notice to the auditor, giving reasons for the impending discharge.
6. Provide written concurrence by the executive authority for the planned discharge.
7. Costs of audit and non-audit services provided by the auditors during their term of office (last three years):

<b>Financial year</b>			
<b>Audit fees</b>			
<b>Fees for other services</b>			
<b>Total fees</b>			
<b>Non-audit fees as a percentage of total fees</b>			
<b>Nature of services performed</b>			

**APPOINTMENT OF NEW AUDITORS**

8. Particulars of audit firms shortlisted for appointment:

	<b>Name(s) of audit firm(s)</b>	<b>Estimated audit fee</b>	<b>Estimated fee for other services</b>
Firm 1			
Firm 2			
Firm 3			
Firm 4			
Firm 5			
Nature of other services to be performed:			

Insert details

9. Audit firm proposed and anticipated date of appointment:

	Name(s) of audit firm(s)	Anticipated date of appointment
Firm 1		
Firm 2		
Firm 3		
Firm 4		
Firm 5		

10. Details of any prior involvement with the entity, including the costs:

Insert details

11. Indicate how the performance of auditors will be evaluated:

Insert details

12. Indicate any matter that may influence a decision regarding the independence or objectivity or perceived independence of any of the auditors:

Insert details

### REAPPOINTMENT OF AUDITORS

13. Details of firm to be reappointed:

	Name(s) of audit firm(s)	Financial year(s) previously appointed
Firm 1		
Firm 2		
Firm 3		
Firm 4		
Firm 5		

14. Provide details of the audit committee's assessment of the effectiveness and efficiency of the performance of the external auditors:

Insert details

15. Provide details of significant disagreements between the external auditors and the accounting authority during the preceding financial year, if any:

Insert details

16. Indicate any matter that may influence a decision regarding the independence or objectivity or perceived independence of the auditors:

Insert details

17. Indicate name of partner in charge of audit for the last five years:

Insert details

18. Indicate name of audit manager in charge of audit for the last five years:

Insert details

Completed by:

(signature)

Completed by:

(name)

Designation:

Date:

### INFORMATION:

**S25** (2) Must give notice of the suggested appointment, including information on the extent to which the auditor would provide services other than audit services during the period of the appointment and any other information required by the AG.

(3) If the AG, within 14 days of receiving notice in terms of subsection 2 or such longer period as agreed to,



rejects the auditee's appointment, the auditee must, in terms of that subsection, recommence the process to appoint another person as its auditor.

- (4) Appointment may only be for one year.
- S26** (1) Discharge before expiry of term - only with consent of the AG and the relevant executive authority if applicable.
- (2) (a) Give the auditor notice in writing, setting out the reasons.
- (2) (b) Give the auditor opportunity to make written representation to the AG within 20 days of receipt of the notice.
- (3) The AG must report any discharge of an auditor to the relevant legislature.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Notices/ GN 839 of 25 November 2011: Directive issued in terms of the Act (Government Gazette No. 34783)**

**GN 839 of 25 November 2011: Directive issued in terms of the Act  
(Government Gazette No. 34783)**

**THE AUDITOR GENERAL OF SOUTH AFRICA**

CONTENT OF THE NOTICE

- A. AUDIT FUNCTIONS PERFORMED IN TERMS OF THE PUBLIC AUDIT ACT, 2004 (ACT [NO. 25 OF 2004](#))
- a. Evaluation of public financial and performance management
  - b. Auditing standards - section 13 (1) (a) of the PAA
  - c. Auditing of performance against predetermined objectives - sections 20 (2) (c) and 28 (1) (c) of the PAA
  - d. Auditing of compliance with applicable legislation relating to financial matters, financial management and other related matters - sections 20 (2) (b) and 28 (1) (b) of the PAA
  - e. Internal control, as indicated by the reference to financial management in sections 4 (1) and (3) of the PAA
  - f. Other legislative functions
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- B. AUDITS OF PUBLIC ENTITIES AND OTHER INSTITUTIONS NOT PERFORMED BY THE AGSA - SECTION 4 (3) OF THE PAA
- a. Audits that the Auditor-General has opted not to perform - section 25 (1) (a) of the PAA
  - b. Appointment of auditors in public practice - section 25 (1) (b), (2), (3) and (4) of the PAA
  - c. Responsibilities of auditors in public practice - part 2 of chapter 3 of the PAA
- C. ENTITIES FOR WHICH LEGISLATION IS NOT PRESCRIPTIVE IN RESPECT OF THE FINANCIAL STATEMENTS - SECTION 14 (2) (b) OF THE PAA
- D. TIMING AND SUBMISSION OF INFORMATION FOR AUDIT PURPOSES - SECTION 15 (2) (b) OF THE PAA
- E. ASSESSMENT AND RECOGNITION OF THE FINANCIAL REPORTING FRAMEWORKS APPLICABLE IN THE PUBLIC SECTOR - SECTION 20 (2) (a) OF THE PAA
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- Addendum A: CRITERIA USED TO EVALUATE THE THREE FUNDAMENTALS OF INTERNAL CONTROL
- Addendum B: CONSULTATION OF THE AUDITOR-GENERAL ON THE APPOINTMENT OR DISCHARGE OF AN AUDITOR IN PUBLIC PRACTICE IN TERMS OF [SECTIONS 25](#) AND [26](#) OF THE PUBLIC AUDIT ACT, 2004 (ACT [NO. 25 OF 2004](#))
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- Addendum D: RELEVANT EXTRACTS FROM THE PUBLIC AUDIT ACT, 2004 (ACT [NO. 25 OF 2004](#))

**DIRECTIVE ISSUED IN TERMS OF THE PUBLIC AUDIT ACT, 2004 (ACT [NO. 25 OF 2004](#))**

1. Under the powers vested in me by section 2 (b), read with [section 13 \(3\) \(b\)](#) of the Public Audit Act, 2004 (Act [No. 25 of 2004](#)) (hereafter referred to as the PAA), I, Terence Mncedisi Nombembe, Auditor-General of the Republic of South Africa (hereafter referred to as the AGSA), hereby determine the following:

**A. AUDIT FUNCTIONS PERFORMED IN TERMS OF THE PUBLIC AUDIT ACT, 2004 (ACT [NO. 25 OF 2004](#))**

**a. Evaluation of public financial and performance management**

2. The success of transformation in public sector financial and performance management is evaluated as part of the outcomes of the annual audit process. Accordingly, the auditor's report reflects views on-
- . financial information, through the auditor's opinion on the financial statements
  - . performance against predetermined objectives, reflected as findings under the *Predetermined objectives* heading in the *Report on other legal and regulatory requirements* section in the auditor's report
  - . compliance with applicable laws and regulations relating to financial matters, financial management and other related matters, reflected as findings under the *Compliance with laws and regulations* heading in the *Report on other legal and regulatory requirements* section in the auditor's report
  - . internal control, as indicated by the deficiencies in internal control that resulted in-
    - ? qualifications of the opinion on the financial statements
    - ? findings on the report on predetermined objectives
    - ? findings on compliance with laws and regulations

The view on internal control is reflected under the *Report on other legal and regulatory requirements* section in the auditor's report.

**b. Auditing standards - section 13 (1) (a) of the PAA**

3. In terms of section 13 (1) (a) of the PAA, the International Standards on Auditing and Assurance Pronouncements issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC)<sup>1</sup> are applied in the annual audits.
4. In addition, relevant principles contained in the following-
- . the International Standards of Supreme Audit Institutions (ISSAIs)
  - . the INTOSAI Guidance for Good Governance (INTOSAI GOVs),

published by the International Organisation of Supreme Audit Institutions (INTOSAI)<sup>2</sup>, have been incorporated into the AGSA's audit methodology.

**c. Auditing of performance against predetermined objectives - sections 20 (2) (c) and 28 (1) (c) of the PAA**

5. In terms of sections 20 (2) (c) and 28 (1) (c) of the PAA, the auditor's report must reflect an opinion or conclusion on the entity's performance against predetermined objectives. Until such time as the environment shows a state of readiness to provide reasonable assurance in the form of an audit conclusion in the auditor's report, the conclusion on the performance against predetermined objectives is included in the report to management, with material findings being reported under the *Predetermined objectives* heading in the *Report on other legal and regulatory requirements* section of the auditor's report.
6. The audit of performance against predetermined objectives is performed in accordance with the International Standard on Assurance Engagements (ISAE) 3000 *Assurance engagements other than audits or reviews of historical financial information* against the *Performance management and reporting framework*, consisting of the following-
- . applicable laws and regulations
  - . the *Framework for the managing of programme performance information*, issued by the National Treasury
  - . circulars and guidance issued by the National Treasury regarding the planning, management, monitoring and reporting of performance against predetermined objectives.

**d. Auditing of compliance with applicable legislation relating to financial matters, financial management and other related matters - sections 20 (2) (b) and 28 (1) (b) of the PAA**

7. In terms of sections 20 (2) (b) and 28 (1) (b) of the PAA, the auditor's report must reflect an opinion or conclusion on the entity's compliance with any applicable legislation relating to financial matters, financial management and other related matters. Until such time as the environment shows a state of readiness to provide reasonable assurance in the form of an audit conclusion in the auditor's report, the auditor's report only reflects material findings that come to the attention of the auditor under the *Compliance with laws and regulations* heading in the *Report on other legal and regulatory requirements* section of the auditor's report.
8. The audit of compliance with legislation is performed in accordance with ISAE 3000 *Assurance engagements other than audits or reviews of historical financial information*, as well as relevant principles of ISSAI 4000 *Introduction to the compliance audit guidelines* and ISSAI 4200 *Compliance audit related to the audit of financial statements*.
9. The auditor's report reflects material findings on non-compliance with relevant laws and regulations in respect of the following subject matters, as applicable-
- . Strategic planning and performance management
  - . Budgets
  - . Financial statements, performance and annual reports
  - . Audit committees
  - . Internal audit

- . Procurement and contract management
  - . Human resource management and compensation
  - . Expenditure management
  - . Transfer of funds and/or conditional grants
  - . Revenue management
  - . Asset and liability management
  - . Financial misconduct
  - . Service delivery - Education, Health, Public works, Human Settlements and Social Development.
10. The criteria used to evaluate the above subject matters are developed from the applicable laws and regulations, with specific focus on the following-
- . Public Finance Management Act, 1999 (Act [No. 1 of 1999](#)) (hereafter referred to as the PFMA) and regulations and instructions issued in terms of the act
  - . Municipal Finance Management Act, 2003 (Act [No. 56 of 2003](#)) (hereafter referred to as the MFMA) and regulations issued in terms of the act
  - . Division of Revenue Act
  - . Appropriation Act
  - . Municipal Structures Act, 1998 (Act [No. 117 of 1998](#)) and regulations and instructions issued in terms of the act
  - . Municipal Systems Act, 2000 (Act [No. 32 of 2000](#)) and regulations and instructions issued in terms of the act
  - . Municipal Property Rates Act, 2004 (Act [No. 6 of 2004](#)) and regulations and instructions issued in terms of the act
  - . Companies Act, 2008 (Act [No. 71 of 2008](#)) and regulations and instructions issued in terms of the act
  - . Public Service Act, 1994 (Act No. 103 of 1994) and regulations issued in terms of the act
  - . Preferential Procurement Policy Framework Act, 2000 (Act [No. 5 of 2000](#)) and regulations and instructions issued in terms of the act
  - . Construction Industry Development Board Act, 2000 (Act [No. 38 of 2000](#)) and regulations issued in terms of the act
  - . State Information Technology Agency Act, 1998 (Act [No. 88 of 1998](#)) and regulations issued in terms of the act
  - . Entity-specific enabling legislation.
11. Other subject matters which, in the auditor's professional judgement, are of sufficient importance to merit inclusion in the auditor's report for communication to those charged with governance may also be included.

**e. Internal control, as indicated by the reference to financial management in sections 4 (1) and (3) of the PAA**

12. In terms of sections 4 (1) and (3) of the PAA, financial management must be audited and reported on. This is currently achieved by reporting on deficiencies in internal control that resulted in qualifications to the opinion on the financial statements, findings on the report on predetermined objectives and on compliance with laws and regulations. The deficiencies are reported under the *Report on other legal and regulatory requirements* section in the auditor's report under the following three fundamentals of internal control-
- . Leadership
  - . Financial and performance management
  - . Governance.
13. The criteria used to evaluate the three fundamentals of internal control are set out in Addendum A.

**f. Other legislative functions**

14. In terms of the PAA, the AGSA also performs other audit functions, including performance audits, investigations, special audits and related services. In addition to International Standard on Quality Control (ISQC) 1 *Quality control for firms that perform audits and reviews of financial statements, and other assurance and related services engagements*, the standards that guide these audits are as follows-
- . Performance audits - section 20 (3) of the PAA  
In terms of section 13 (1) (a) of the PAA, these audits are conducted in accordance with ISSAI 3000 *Implementation guidelines for performance auditing* and ISSAI 3100 *Performance audit guidelines: key principles*.
  - . Investigations - section 5 (1) (d) of the PAA  
In terms of section 13 (1) (a) of the PAA, the AGSA has developed *Standards and guidelines: investigations* for conducting investigations.
  - . Special audits - section 5 (1) (d) of the PAA  
In terms of section 13 (1) (a) of the PAA, these audits are conducted in accordance with the International Standard on Related Services (ISRS) 4400 *Engagements to perform agreed-upon procedures regarding financial information* issued by the IAASB.
  - . Audit-related services - section 5 (1) (a) of the PAA  
In terms of section 13 (1) (a) of the PAA, these audits are conducted in accordance with ISRS 4400 *Engagements to Perform agreed-upon procedures regarding financial information* issued by the IAASB and *Audit-related services: policy and guideline* developed by the AGSA.

## Donor funding

In terms of section 13 (1) (a) of the PAA, reports on donor funds are issued in accordance with the following, as appropriate-

- ? ISA 800 *Special Considerations - Audits of financial statements prepared in accordance with special purpose frameworks*
- ? ISA 805 *Special considerations - Audits of single financial statements and specific elements, accounts or items of a financial statement*
- ? ISRS 4400 *Engagements to perform agreed-upon procedures regarding financial information*
- ? Specific requirements of the donor organisations.

### **g. Complaints against the AGSA**

15. The AGSA's *Policy for the handling of complaints and allegations against the AGSA*, in terms of section 13 (1) (c) of the PAA, accommodates complaints pertaining to the following-

- . The exercising of powers, the performance of duties and the administration of the AGSA as referred to in the PAA when performing audits in terms of section 11 of the PAA
- . Work performed during an audit by the AGSA, authorised auditors and other personnel where it is alleged that the work performed during such an audit failed to comply with professional standards and regulatory and legal requirements
- . Allegations of non-compliance by the AGSA, authorised auditors and other personnel with the AGSA's internal system of quality control.

16. Complaints against the AGSA should be addressed in writing to:

The Complaints Manager, Auditor-General of South Africa

Physical address: 300 Middel Street, New Muckleneuk, Pretoria

Postal address: PO Box 446, Pretoria, 0001

### **Footnotes**

- 1 <http://www.ifac.org/IAASB>
- 2 <http://www.intosai.org> and <http://www.issai.org>

## **National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Notices/ GN 839 of 25 November 2011: Directive issued in terms of the Act (Government Gazette No. 34783)/ B. AUDITS OF PUBLIC ENTITIES AND OTHER INSTITUTIONS NOT PERFORMED BY THE AGSA - SECTION 4 (3) OF THE PAA**

### **B. AUDITS OF PUBLIC ENTITIES AND OTHER INSTITUTIONS NOT PERFORMED BY THE AGSA - SECTION 4 (3) OF THE PAA**

#### **a. Audits that the Auditor-General has opted not to perform - section 25 (1) (a) of the PAA**

17. In terms of section 4 (3) (b) of the PAA, I may audit and report on the accounts, financial statements and financial management of any public entity listed in the PFMA and any other institution not mentioned in section 4 (1) of the PAA and which is-

- . funded from the National Revenue Fund or a provincial revenue fund or by a municipality
- . authorised in terms of any legislation to receive money for a public purpose.

18. In terms of section 25 (1) (a) of the PAA, I opt not to perform the audits of any entities referred to in section 4 (3) of the PAA, which are not already being audited by me, for the 2012-13 and following financial years, unless advised otherwise by me prior to the start of the entity's financial year.

#### **b. Appointment of auditors in public practice - section 25 (1) (b), (2), (3) and (4) of the PAA**

19. An entity must proceed to appoint an auditor in public practice as stipulated by section 25 (1) (b), read with section 25 (4) of the PAA, if not advised before the start of the financial year that the AGSA will perform the audit.

20. Before appointing the auditor an entity must notify the AGSA business executive responsible for the audit of the portfolio of the relevant executive authority of the suggested appointment. In this regard, the document *Consultation of the Auditor-General on the appointment of an auditor in public practice*, attached as Addendum B, should be completed in full as indicated. If the AGSA, within 14 days of receiving the notice, or such longer period as may be agreed to, rejects the auditee's appointment, the auditee must recommence the process to appoint another person as its auditor.

21. If the AGSA has opted to perform the audit of an entity, such entity shall not seek to or appoint alternative auditors.

#### **c. Responsibilities of auditors in public practice - part 2 of chapter 3 of the PAA**

22. When auditing in the public sector, the auditor in public practice must do so in accordance with the requirements, duties and responsibilities as legislated and assigned to them in part 2 of chapter 3 of the PAA.

23. The auditor in public practice must take cognisance of the content of the PAA, and must adhere to the following requirements when auditing entities where the AGSA has opted not to perform the audit-

- . Appointment of auditors - section 25 of the PAA

- . Discharge of auditors - section 26 of the PAA
  - . Duties and powers of auditors - section 27 of the PAA
  - . The format and content of the auditor's report, as set out in the AGSA's *Public Audit Manual on Reporting* - section 28 (1) of the PAA
  - . Submission of the auditor's report to the AGSA - section 28 (3) (c) of the PAA
  - . The requirements of this notice, as applicable.
24. Compliance with the provisions of the PAA and this notice in conducting an audit in terms of section 25 (1) (b) of the PAA is monitored by the AGSA. In this regard, the appointed auditor must complete the *Monitoring checklist for audits not conducted by the AGSA*, attached as Addendum C.
25. In terms of the requirements of section 28 (3) (c) of the PAA, the appointed auditor must furnish the responsible audit business unit (ABU) in the AGSA, either in hard copy or on CD, with the following as soon as the annual report has been finalised but not later than five months after the financial year-end-

- . a copy of the auditor's report, together with a copy of the audited financial statements
- . three copies of the annual report
- . the completed monitoring checklist,

in order for the outcomes of the audits performed by auditors in public practice to be included in the AGSA's general reports.

26. To assist auditors in public practice in conducting audits in the public sector, reference may be made to the following documents made available by the Independent Regulatory Board for Auditors (IRBA)<sup>3</sup>, which provide a perspective on auditing in the public sector-

- . *A Guide for Registered Auditors: Auditing in the Public Sector*
- . *A Guide for Registered Auditors: Audit of Predetermined Objectives*
- . South African Auditing Practice Statement (SAAPS) 2: *Financial Reporting Frameworks and the Auditor's Report*

Reference may also be made to the AGSA's website<sup>4</sup> for additional information, as well as the contact details of the nearest AGSA office in the event of queries regarding the responsibilities of the auditor in public practice in terms of the PAA and this notice.

(Editorial Note: Wording as per original *Government Gazette*.)

27. Should an auditor in public practice appointed in terms of section 25 (1) (b) of the PAA be found to be in contravention of the requirements in this notice or any provision of the PAA, the Auditing Profession Act, 2005 (Act [No. 26 of 2005](#)) (hereafter referred to as the APA) or any act with which it is his/her duty to comply in his/her capacity as an auditor in public practice, a complaint or charge of improper conduct may be lodged with IRBA's investigating committee against auditors in public practice.
28. In addition, a complaint or a charge of improper conduct may be lodged with IRBA's investigating committee against an auditor in public practice appointed in terms of section 25 (1) (b) of the PAA if it comes to the attention of the AGSA that the auditor in public practice has conducted him/herself in a manner that is improper, discreditable, unprofessional, dishonourable or unworthy of an auditor in public practice or which brings the accounting profession into disrepute.

#### **Footnotes**

3 <http://www.irba.co.za>

4 <http://www.agsa.co.za>

### **National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Notices/ GN 839 of 25 November 2011: Directive issued in terms of the Act (Government Gazette No. 34783)/ C. ENTITIES FOR WHICH LEGISLATION IS NOT PRESCRIPTIVE IN RESPECT OF THE FINANCIAL STATEMENTS - SECTION 14 (2) (b) OF THE PAA**

#### **C. ENTITIES FOR WHICH LEGISLATION IS NOT PRESCRIPTIVE IN RESPECT OF THE FINANCIAL STATEMENTS - SECTION 14 (2) (b) OF THE PAA**

29. In terms of section 14 (2) (b) of the PAA, the financial statements of an entity which is not subject to the PFMA, MFMA or any other legislation that is prescriptive in respect of the financial statements, must-
- . be prepared in accordance with the Generally Recognised Accounting Practice (GRAP) reporting framework issued by the Accounting Standards Board (ASB)<sup>5</sup>
  - . comply with the PFMA requirements applicable to public entities or the MFMA requirements applicable to municipal entities, as appropriate, as they pertain to the information to be contained in the financial statements, as well as the period within which the financial statements are to be submitted for audit.

#### **Footnotes**

5 <http://www.asb.co.za>

### **National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Notices/ GN 839 of 25 November 2011: Directive issued in terms of the Act (Government Gazette No. 34783)/**

## **D. TIMING AND SUBMISSION OF INFORMATION FOR AUDIT PURPOSES - SECTION 15 (2) (b) OF THE PAA**

### **D. TIMING AND SUBMISSION OF INFORMATION FOR AUDIT PURPOSES - SECTION 15 (2) (b) OF THE PAA**

30. In terms of section 15 (2) (b) of the PAA, and in order to comply with applicable legislated auditing and tabling deadlines in the PFMA and MFMA, as well as to allow adequate time for conducting the audit in accordance with the International Standards on Auditing and Assurance Pronouncements, entities must adhere to the following-
- . The annual performance reports should be submitted for auditing within two months after the end of the financial year
  - . All other information to be included in the annual report must be submitted concurrently with the financial statements
  - . Withdrawal and re-submission of financial statements and performance reports submitted for auditing, are not permitted; the financial statements and performance reports may only be adjusted for matters identified during the audit
  - . All documentation and information in support of the financial statements and performance report must be available on request.

## **National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Notices/ GN 839 of 25 November 2011: Directive issued in terms of the Act (Government Gazette No. 34783)/ E. ASSESSMENT AND RECOGNITION OF THE FINANCIAL REPORTING FRAMEWORKS APPLICABLE IN THE PUBLIC SECTOR - SECTION 20 (2) (a) OF THE PAA**

### **E. ASSESSMENT AND RECOGNITION OF THE FINANCIAL REPORTING FRAMEWORKS APPLICABLE IN THE PUBLIC SECTOR - SECTION 20 (2) (a) OF THE PAA**

31. The applicable financial reporting framework provides the criteria against which the auditor audits the financial statements. As one of the preconditions for an audit, the auditor is required to determine whether the financial reporting framework applied in preparing the financial statements is acceptable and to assess whether it is a general purpose or compliance framework. This is done by considering the requirements of the ISAs and the guidance set out in *South African Auditing Practice Statement (SAAPS) 2: Financial Reporting Frameworks and the Auditor's Report*.
32. Section 20 (2) (a) of the PAA requires me to express an opinion on the fair presentation of the financial statements regardless of whether the entity prepared its financial statements in terms of a fair presentation framework or not. Where the applicable financial reporting framework applied is not assessed to be a fair presentation framework, an *Additional matter* paragraph explaining this requirement is included in the auditor's report to mitigate any possible misunderstanding that the financial statements have been prepared in terms of a fair presentation framework.
33. Should an entity be granted an exemption, departure or deviation from the applicable financial reporting framework in accordance with the requirements of the PFMA or MFMA, additional disclosure of the reasons for, and the extent of, the exemption, departure or deviation from the applicable financial reporting framework is required in the financial statements.

## **National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Notices/ GN 839 of 25 November 2011: Directive issued in terms of the Act (Government Gazette No. 34783)/ F. REPEAL OF PRIOR GOVERNMENT GAZETTES**

### **F. REPEAL OF PRIOR GOVERNMENT GAZETTES**

34. *General Notice 1111 of 2010*, issued in *Government Gazette No. 33872 of 15 December 2010*, is hereby withdrawn and replaced by the requirements as set out in this notice.

## **National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Notices/ GN 839 of 25 November 2011: Directive issued in terms of the Act (Government Gazette No. 34783)/ G. EFFECTIVE DATE**

### **G. EFFECTIVE DATE**

35. This notice is effective for financial periods beginning on or after 1 April 2011 and is applicable until further notice. A similar notice will not necessarily be issued annually.

## **National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Notices/ GN 839 of 25 November 2011: Directive issued in terms of the Act (Government Gazette No. 34783)/ H. ENQUIRIES**

### **H. ENQUIRIES**

36. Any enquiry related to this notice should be addressed to the following office:

Business Executive: Audit Research and Development, Auditor-General of South Africa

Telephone: 012 426 8000

Fax: 012 426 8333

Email: ARDsupport@agsa.co.za

Signed and approved:

T M Nombembe

Auditor-General

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Notices/ GN 839 of 25 November 2011: Directive issued in terms of the Act (Government Gazette No. 34783)/ ADDENDUM A: CRITERIA USED TO EVALUATE THE THREE FUNDAMENTALS OF INTERNAL CONTROL**

**ADDENDUM A:**

**CRITERIA USED TO EVALUATE THE THREE FUNDAMENTALS OF INTERNAL CONTROL**

**LEADERSHIP**

- . Provide effective leadership based on a culture of honesty, ethical business practices and good governance, protecting and enhancing the best interests of the entity.
- . Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.
- . Implement effective HR management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored.
- . Establish and communicate policies and procedures to enable and support understanding and execution of internal control objectives, processes and responsibilities.
- . Develop and monitor the implementation of action plans to address internal control deficiencies.
- . Establish an IT governance framework that supports and enables the business, delivers value and improves performance.

**FINANCIAL AND PERFORMANCE MANAGEMENT**

- . Implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.
- . Implement controls over daily and monthly processing and reconciling of transactions.
- . Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.
- . Review and monitor compliance with applicable laws and regulations.
- . Design and implement formal controls over IT systems to ensure the reliability of the systems and the availability, accuracy and protection of information.

**GOVERNANCE**

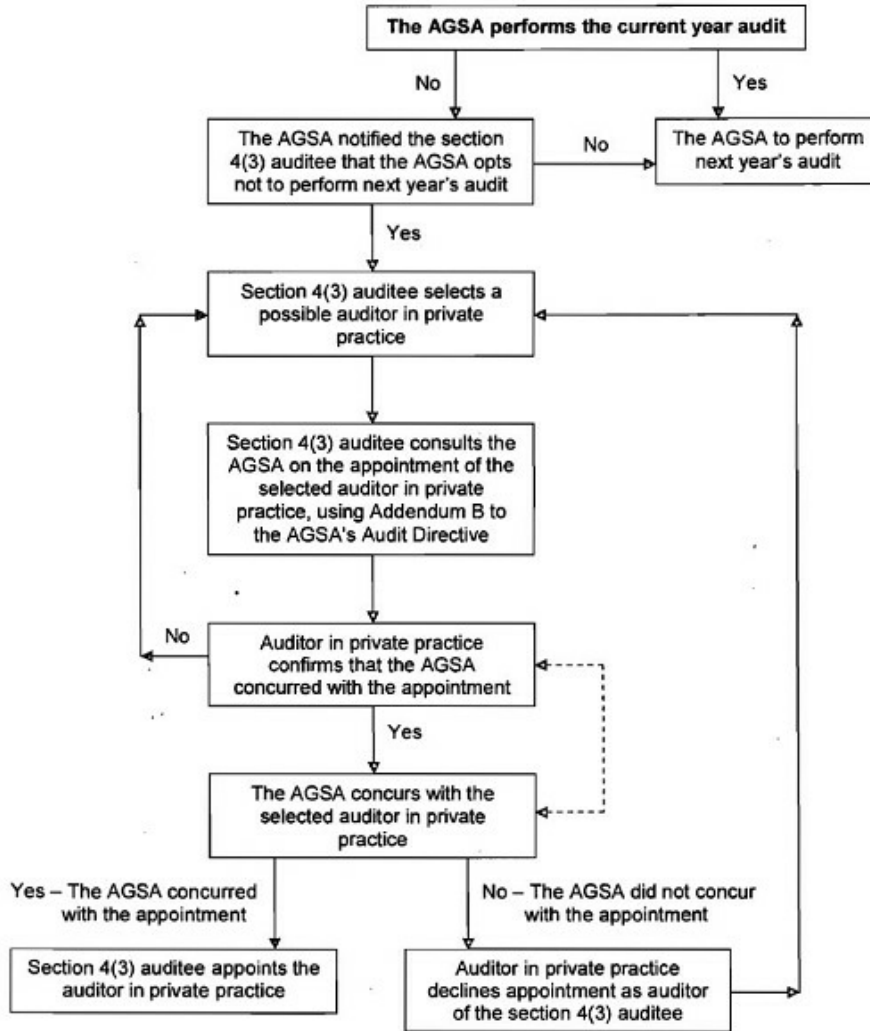
- . Implement appropriate risk management activities to ensure that regular risk assessments, including consideration of IT risks and fraud prevention, are conducted and that a risk strategy to address the risks is developed and monitored.
- . Ensure that there is an adequately resourced and functioning internal audit unit that identifies internal control deficiencies and recommends corrective action effectively.
- . Ensure that the audit committee promotes accountability and service delivery through evaluating and monitoring responses to risks and providing oversight over the effectiveness of the internal control environment including financial and performance reporting and compliance with laws and regulations.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Notices/ GN 839 of 25 November 2011: Directive issued in terms of the Act (Government Gazette No. 34783)/ ADDENDUM B: CONSULTATION OF THE AUDITOR-GENERAL ON THE APPOINTMENT OR DISCHARGE OF AN AUDITOR IN PUBLIC PRACTICE IN TERMS OF SECTIONS 25 AND 26 OF THE PUBLIC AUDIT ACT, 2004 (ACT NO. 25 OF 2004)**

**ADDENDUM B:**

**CONSULTATION OF THE AUDITOR-GENERAL ON THE APPOINTMENT OR DISCHARGE OF AN AUDITOR IN PUBLIC PRACTICE IN TERMS OF [SECTIONS 25](#) AND [26](#) OF THE PUBLIC AUDIT ACT, 2004 (ACT [NO. 25 OF 2004](#))**

**SCHEMATIC ILLUSTRATION OF THE AUDITOR APPOINTMENT PROCESS**



**INSTRUCTIONS TO ENTITY**

1. This checklist should be completed and submitted with supporting documentation to the AGSA business executive responsible for the audit of the portfolio of the relevant executive authority.
2. The checklist should be accompanied by a copy of your policy on the appointment of auditors and the allocation of non-audit services to auditors.

**INFORMATION REQUIRED**

3. Particulars of entity:

<b>Name</b>		
<b>Postal address</b>		
<b>Physical address</b>		
<b>Fax number</b>		
<b>Telephone number</b>		
<b>Email address of CFO</b>		
<b>Accounting authority chairperson</b>	<b>Name</b>	
	<b>Contact details</b>	
<b>Responsible minister (executive authority)</b>	<b>Name</b>	
	<b>Contact details</b>	
<b>Responsible department</b>		
<b>Contact person at department</b>		
<b>Financial year in question</b>		
<b>PFMA schedule (2, 3A, 3B, 3C or 3D)</b>		



<b>Name of holding entity</b> (if applicable)	
---	--

**DISCHARGE OF AUDITOR**

4. Name of the audit firm discharged:

*Insert details*

5. Number of years engaged on the audit to date: I *Insert details*

*Insert details*

6. Provide the notice to the auditor, giving the reasons for the impending discharge.

7. Provide written concurrence by the executive authority for the planned discharge.

8. Costs of audit and non-audit services provided by the audit firm during the last three years:

<b>Financial year</b>			
<b>Audit fees</b>			
<b>Fees for other services</b>			
<b>Total fees</b>			
<b>Non-audit fees as a percentage of total fees</b>			
<b>Nature of services performed</b>			

**APPOINTMENT OF NEW AUDITORS**

9. Name of the new audit firm:

*Insert details*

10. Anticipated date of appointment:

*Insert details*

11. Nature of other services to be performed:

*Insert details*

12. Details of any prior involvement with the entity, including the costs:

*Insert details*

13. Provide details of how the quality of the audit firm's work has been assessed, e.g. results of IRBA reviews:

*Insert details*

14. Indicate any matter that may influence a decision regarding the independence or objectivity or perceived independence of any of the auditors:

*Insert details*

**REAPPOINTMENT OF AUDITORS**

15. Name of audit firm to be reappointed:

*Insert details*

16. Financial year(s) previously appointed:

*Insert details*

17. Provide details of the audit committee's assessment of the effectiveness and efficiency of the performance of the external auditors, including IRBA review results:

---

Insert details

18. Provide details of significant disagreements between the external auditors and the accounting authority during the preceding financial year, if any:

Insert details

19. Indicate any matter that may influence a decision regarding the independence or objectivity or perceived independence of the auditors:

Insert details

20. Name of the partner in charge of audit for the last five years:

Year	Name of partner
1	
2	
3	
4	
5	

21. Name of the senior audit manager in charge of audit for the last five years:

Year	Name of senior audit manager
1	
2	
3	
4	
5	

Completed by:

(signature)

Completed by:

(name)

Designation:

Date:

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Notices/ GN 839 of 25 November 2011: Directive issued in terms of the Act (Government Gazette No. 34783)/ ADDENDUM C: MONITORING CHECKLIST FOR AUDITS NOT CONDUCTED BY THE AGSA**

#### ADDENDUM C:

#### MONITORING CHECKLIST FOR AUDITS NOT CONDUCTED BY THE AGSA

#### INSTRUCTIONS

1. This checklist should be completed by the appointed audit firm for each audit conducted by it and should be submitted to the audit business unit within the AGSA responsible for the audit of the controlling department within five months of the financial year-end, i.e. 31 August.

#### INFORMATION REQUIRED

Name of the entity	
Controlling department	
Type of entity (schedule number)	
Holding company (if applicable)	
Subsidiaries (if applicable)	
Audit business unit (ABU)	
Business executive	
Engagement firm	

<b>Engagement firm's address</b>	
<b>Engagement firm's contact details</b>	
<b>Engagement partner</b>	
<b>Engagement partner's contact details</b>	

<b>No.</b>	<b>Requirements</b>	<b>Complied Yes/No*/Not applicable</b>	<b>Remarks/Comments</b>
<b>Public Audit Act, 2004 (Act No. 25 of 2004) (PAA)</b>			
1.	All the requirements of the PAA and this general notice, were complied with concerning:		
	. Appointment of auditors (section 25)		
	. Discharge of auditors (section 26)		
	. Duties and powers of auditors (section 27).		
2.	The auditor's report to the accounting authority was submitted within the time frame prescribed by the PFMA.		
3.	A copy of the auditor's report, together with a copy of the financial statements, was submitted to the AGSA by 31 August.		
4.	Three copies of the annual report were submitted to the AGSA by 31 August.		
<b>Report to management</b>			
5.	The report to management contained an audit conclusion on reporting on		
	predetermined objectives under the following headings:		
	. Introduction		
	. The accounting (officer/authority's) responsibilities		
	. Work performed		
	. Basis for conclusion		
	. Conclusion		
	. Additional matters		
<b>Auditor's report</b>			
6.	The auditor's report was addressed to the appropriate addressee as per the AGSA guidance.		
7.	The auditor's report distinguished clearly between the report on the financial statements and the report on other legal and regulatory requirements as per the AGSA guidance.		
8.	The auditor's report distinguished between the supplementary information that has not been audited and the financial statements that have been audited by indicating the page numbers relating to the financial statements.		
9.	The auditor's report correctly referred to the accounting authority as the party responsible for the preparation of the financial statements or consolidated financial statements.		
10.	The auditor's report made reference to the correct financial reporting framework for the type of entity.		
11.	The audit findings on predetermined objectives were reported under the following headings (if relevant) in the auditor's report:		

	. Presentation of information		
	. Usefulness of information		
	. Reliability of information		
12.	Findings on compliance with applicable laws and regulations were reported under subject matter headings as per the AGSA reporting guide.		
13.	The auditor's report included a narrative discussion under each of the following three fundamentals of internal control, which reflected the deficiencies in internal control identified during the		
	audit as they relate to the qualifications on the financial statements as well as the findings on predetermined objectives and compliance with applicable laws and regulations as per the AGSA reporting guide:		
	. Leadership		
	. Financial and performance management		
	. Governance		
14.	The auditor's report included information on the following other reports:		
	. Investigations		
	. Performance audits		
	. Agreed-upon procedures engagements		
	. Special audits		
	. Donor funding		
15.	Separate financial statements were prepared and audited for all subsidiaries		
* Where a "No" answer is provided, comments must be included below.			

16. General comments by the appointed auditor:

<i>Insert details</i>
-----------------------

**Completed by:** \_\_\_\_\_  
(signature)

**Completed by:** \_\_\_\_\_  
(name)

**Date:** \_\_\_\_\_

**CONCLUSION** (To be completed by the ABU)

No.	Requirements	Complied Yes/No*	Remarks/Comments
1.	Did the auditors and entity satisfy the requirements of sections 25 to 27 of the PAA relating to the following:		
	. Appointment of auditors		
	. Discharge of auditors		
2.	Has the engagement firm satisfied the reporting requirements of the following:		
	. PAA		
	. This general notice		
	. AGSA's <i>Public Audit Manual on Reporting</i>		
* Where a "No" answer is provided, comments must be included below.			

3. General comments:

<i>Insert details</i>
-----------------------

4. Recommended further action in terms of this notice:

Insert details

Completed by:

(signature)

Completed by:

(name)

Date:

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Notices/ GN 839 of 25 November 2011: Directive issued in terms of the Act (Government Gazette No. 34783)/ ADDENDUM D: RELEVANT EXTRACTS FROM THE PUBLIC AUDIT ACT, 2004 (ACT NO. 25 OF 2004)**

#### ADDENDUM D:

##### RELEVANT EXTRACTS FROM THE PUBLIC AUDIT ACT, 2004 (ACT [NO. 25 OF 2004](#))

**2. Objects of this Act.**-The objects of this Act are-

(b) to provide for the auditing of institutions and accounting entities in the public sector;

**4. Constitutional functions.**-(1) The Auditor-General must audit and report on the accounts, financial statements and financial management of-

(a) all national and provincial state departments and administrations;

(b) all constitutional institutions;

(c) the administration of Parliament and of each provincial legislature;

(d) all municipalities;

(e) all municipal entities; and

(f) any other institution or accounting entity required by other national or by provincial legislation to be audited by the Auditor-General.

(2) The Auditor-General must audit and report on the consolidated financial statements of-

(a) the national government as required by section 8 of the Public Finance Management Act;

(b) all provincial governments as required by section 19 of the Public Finance Management Act; and

(c) a parent municipality and all municipal entities under its sole or effective control as required by section 122 (2) of the Municipal Finance Management Act.

(3) The Auditor-General may audit and report on the accounts, financial statements and financial management of-

(a) any public entity listed in the Public Finance Management Act; and

(b) any other institution ... which is-

(i) funded from the National Revenue Fund or a Provincial Revenue Fund or by a municipality; or

(ii) authorised in terms of any legislation to receive money for a public purpose.

**5. Other functions.**-(1) The Auditor-General may, at a fee, and without compromising the role of the Auditor-General as an independent auditor, provide-

(a) The Auditor-General may, at a fee, and without compromising the role of the Auditor-General as an independent auditor, provide audit related services to an auditee ... or other body, which is commonly performed by a supreme audit institution on condition that-

(i) no services may be provided in respect of any matter that may subsequently have to be audited by the Auditor-General;

(ii) such service will not directly result in the formulation of policy; and

(iii) there must be full and proper disclosure of (the categories of such services in the report annually submitted by the Auditor-General to the National assembly).

(Editorial Note: Wording as per original *Government Gazette*.)

(d) carry out an appropriate investigation or special audit of any institution ..., if the Auditor-General considers it to be in the public interest or upon the receipt of a complaint or request.

**11. Application of this Part.**-This Part applies to all audits of auditees which the Auditor-General-

- (a) must perform in terms of section 4 (1) or (2); or
- (b) opts to perform in terms of section 4 (3).

**13. Standards for audits.**-(1) The Auditor-General, after consulting the oversight mechanism, must determine-

- (a) the standards to be applied in performing audits ...
- (b) the nature and scope of such audits; and
- (c) procedures for the handling of complaints when performing such audits.

(3) The Auditor-General may-

- (a) make different determinations on the matters mentioned in subsection (1) for different categories of audits based on recognised best practice; or
- (b) issue specific directives on those matters in any specific case.

**14. Submission of financial statements.**-(2) Financial statements submitted by an auditee which is not subject to the Public Finance Management Act or the Municipal Finance Management Act, must be submitted within the period, be in a format, contain the information and otherwise comply with any requirements determined-

- (a) by any legislation applicable to that auditee; or
- (b) in the absence of such legislation by the Auditor-General.

**15. General auditing powers.**-(2) The Auditor-General or an authorised auditor may for the purpose of an audit-

- (b) direct a person to produce, or to deliver at a specified place and time and in a specified format-
  - (i) any such document, book or written or electronic record or information ...

**20. Audit reports.**-(2) An audit report must reflect such opinions and statements as may be required by any legislation applicable to the auditee which is the subject of the audit, but must reflect at least an opinion or conclusion on-

- (g) whether the annual financial statements of the auditee fairly present, in all material respects, the financial position at a specific date and results of its operations and cash flow for the period which ended on that date in accordance with the applicable financial framework and legislation ...
- (h) the auditee's compliance with any applicable legislation relating to financial matters, financial management and other related matters ...
- (i) the reported information relating to the performance of the auditee against predetermined objectives.

(3) In addition, the Auditor-General may report on whether the auditee's resources were procured economically and utilised efficiently and effectively.

**25. Appointment of auditors.**-(1) If the Auditor-General has opted not to perform the audit of an auditee . -

- (a) the Auditor-General must give notice of his or her decision to that auditee before the start of the auditee's financial year for which the appointment is to be made; and
- (b) the auditee must appoint as its auditor a person registered in terms of the Public Accountants' and Auditors' Act as an accountant and auditor and engaged in public practice as such.

(2) Before appointing an auditor in terms of subsection (1), the auditee must give notice of the suggested appointment to the Auditor-General, including information on the extent to which the auditor would provide other services than audit services during the duration of the appointment, and any other information required by the Auditor-General.

(3) If the Auditor-General, within 14 days of receiving a notice in terms of subsection (2), or such longer period as may be agreed to, rejects the auditee's appointment, the auditee must in terms of that subsection recommence the process to appoint another person as its auditor.

(4) Appointments in terms of this section may not be for a longer period than one financial year of the auditee.

**26. Discharge of auditors.**-(1) An auditee ... may discharge an auditor ... before the expiry of that auditor's term of appointment, but only with the consent of the Auditor-General and, if that auditee has an executive authority within the meaning of the Public Finance Management Act, also of the relevant executive authority.

(2) If such an auditee intends discharging an auditor in terms of subsection (1), it must-

- (a) give the auditor notice, in writing, setting out the reasons for the discharge; and
- (b) give the auditor an opportunity to make representations, in writing, to the Auditor-General within 20 days of receipt of the notice.

(3) The Auditor-General must report any discharge of an auditor in terms of subsection (1) to the relevant legislature.

**27. Duties and powers of auditors.**-(1) An auditor ... must perform the functions of office as auditor in terms of section 20 of the Public Accountants' and Auditors' Act.

(2) In performing those functions as the auditor of an auditee, the auditor has the powers assigned to the Auditor-General in terms of section 15 (of the PAA).

(3) An auditor may consult the Auditor-General or a person designated by the Auditor-General concerning any matter relating to the auditing of the auditee concerned.

(4) An auditor-

- (a) must be given notice of every meeting of the auditee's audit committee, if the auditee has such a committee; and
- (b) may attend, and participate in, any meeting of such an audit committee at the expense of the auditee.

(5) The Auditor-General or a person designated by the Auditor-General may request information regarding the audit from an auditor ...

**28. Audit reports and other reports.**-(1) The report of an auditor ... must reflect such opinions and statements as may be required by any legislation applicable to the auditee which is the subject of the audit, but must reflect at least an opinion or conclusion on-

- (a) whether the financial statements of the auditee fairly present, in all material respects, the financial position at a specific date and results of its operations and cash flow for the period which ended on that date in accordance with the applicable financial framework and legislation;
- (b) the auditee's compliance with any applicable legislation relating to financial matters, financial management and other related matters; and
- (c) the reported information relating to the performance of the auditee against predetermined objectives.

(3) The auditor must submit copies of the audit report referred to in subsection (1)-

- (a) to the auditee;
- (b) if the auditee has an executive authority within the meaning of the Public Finance Management Act, to that executive authority for submission to the relevant legislature;
- (c) to the Auditor-General; and
- (d) to the National Treasury or the relevant provincial treasury, as may be appropriate.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Directives/ GN 540 of 15 May 2020: Directive (Government Gazette No. 43326)**

**GN 540 of 15 May 2020: Directive  
(Government Gazette No. 43326)**

AUDITOR-GENERAL OF SOUTH AFRICA

Under the powers vested in me by [section 13 \(3\) \(b\)](#) of the Public Audit Act, 2004 (Act [No. 25 of 2004](#)) ([hereafter referred to as the PAA](#)), I, [Thembekile Kimi Makwetu, Auditor-General of the Republic of South Africa](#), hereby issue this directive.

Matters not directly linked to section 13 read with section 11 are included to facilitate optimal levels of accountability and transparency in the management of public resources.

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**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Directives/ GN 540 of 15 May 2020: Directive (Government Gazette No. 43326)/ AUDIT FUNCTIONS PERFORMED IN TERMS OF THE PAA**

**AUDIT FUNCTIONS PERFORMED IN TERMS OF THE PAA**

**Annual Audit**

1. Financial and performance management and compliance with legislation are audited as part of the annual audit process. The auditor's report reflects an opinion or material findings on the following:
  - . The financial statements or similar financial reporting.
  - . Compliance with specific matters in key legislation.
  - . Reported performance information, if applicable.
  - . Internal control deficiencies that resulted in:
    - . modifications of the opinion on the financial statements;
    - . findings on the reported information on performance against predetermined objectives;
    - . findings on compliance with legislation.
2. Material irregularities are identified during the annual audit process and reported in the auditor's report. The actions taken by accounting officers and authorities to address identified material irregularities are also audited and reported in the auditor's report. In terms of section 20 (4) of the PAA, the auditor's report may include recommendations for addressing the identified material irregularities by a stipulated date if the actions of the accounting officer or authority are not appropriate.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Directives/ GN 540 of 15 May 2020: Directive (Government Gazette No. 43326)/ AUDITING STANDARDS AS WELL AS THE FREQUENCY, NATURE AND SCOPE OF AUDITS - SECTION 13 (1) (a) AND (b) OF THE PAA**

**AUDITING STANDARDS AS WELL AS THE FREQUENCY, NATURE AND SCOPE OF AUDITS - SECTION 13 (1) (a) AND (b) OF THE PAA**

**Auditing standards**

3. The International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements issued by the International Auditing and Assurance Standards Board (IAASB)<sup>1</sup> of the International Federation of Accountants (IFAC), as well as the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by IFAC's International Ethics Standards Board for Accountants (IESBA)<sup>2</sup> are applied in the audits.
4. In addition, relevant principles contained in the International Standards of Supreme Audit Institutions (ISSAIs) published by the International Organization of Supreme Audit Institutions (INTOSAI)<sup>3</sup> are applied.

**Audit of financial statements or similar financial reporting - section 20 (2) (a) of the PAA**

5. In terms of section 20 (2) (a) of the PAA, the auditor's report must reflect an opinion, conclusion or findings on the financial statements of the auditee in accordance with the applicable financial reporting framework and legislation. Assurance is provided by way of an opinion in the auditor's report.
6. The audit is performed in accordance with the International Standards on Auditing (ISAs).

**Audit of compliance with applicable legislation relating to financial matters, financial management and other related matters - sections 20 (2) (b) and 28 (1) (b) of the PAA**

7. In terms of section 20 (2) (b) of the PAA, the auditor's report must reflect an opinion, conclusion or findings on the



auditee's compliance with any applicable legislation relating to financial matters, financial management and other related matters. In terms of section 28 (1) (b) of the PAA, the auditor's report must reflect at least an opinion or conclusion on the auditee's compliance with any applicable legislation relating to financial matters, financial management and other related matters. Currently, the auditor's report reflects material findings on non-compliance with specific matters in key legislation but does not provide assurance by way of an opinion or conclusion.

8. The audit of compliance with legislation is performed in accordance with principles in the applicable ISSAIs and the International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (ISAE 3000 (Revised)).
9. The determination of compliance subject matters to be included in the scope of the compliance audit is undertaken on an annual basis as follows:
  - . Predetermined at AGSA level for each category of auditee.
  - . Further refinement at engagement level taking into account the specific circumstances of the auditee, including the nature and extent of its business and operations, and the impact of specific actions, transactions or events.
10. The AGSA applies the following scoping criteria in selecting the subject matters for the audit of compliance:
  - . Specific areas of relevance to intended users; matters of significant national, community or public interest - as identified through consultation with internal and external parties.
  - . Government priorities in all three spheres of government - as communicated in the state of the nation address, the national budget speech, the Medium Term Strategic Framework or other similar documents.
  - . Results of previous assurance engagements (i.e. past experience) and how this may affect intended users' expectations about compliance, including improvement.
  - . Enhancement of effective legislative oversight; enhancement of transparency, accountability and good governance; focus on continuous improvement and public confidence.
11. The auditor's report reflects material findings on compliance with relevant legislation in respect of the following subject matters selected in accordance with the criteria in paragraph 10
  - . Financial statements, performance reports and annual reports
  - . Procurement and contract management - including procurement and contract management functions performed on behalf of another organ of state (e.g. as procurement or implementing agents)
  - . Human resource management and compensation
  - . Expenditure management
  - . Transfer of funds
  - . Utilisation of conditional grants
  - . Revenue management
  - . Asset management
  - . Liability management
  - . Consequence management
  - . Strategic planning and performance management
  - . Environmental management
  - . Governance and oversight
12. [Annexure A](#) contains details on the applicability of the subject matters to the different categories of auditees. Where there is nothing to be reported for any of the applicable subject matters, a statement to this effect will be included in the auditor's report.
13. The criteria used to evaluate the above subject matters are derived from the applicable legislation, with specific focus on the following:
  - . Public Finance Management Act, 1999 (Act [No. 1 of 1999](#)) (PFMA) and regulations and instructions issued in terms of the act
  - . Municipal Finance Management Act, 2003 (Act [No. 56 of 2003](#)) (MFMA) and regulations issued in terms of the act
  - . Financial Management of Parliament and Provincial Legislatures Act, 2009 (Act [No. 10 of 2009](#)) (FMPPLA) and regulations issued in terms of the act
  - . Continuing Education and Training Act, 2006 (Act [No. 16 of 2006](#)) and regulations issued in terms of the act
  - . Division of Revenue Act (DoRA)
  - . Appropriation Act
  - . Municipal Structures Act, 1998 (Act [No. 117 of 1998](#)) and regulations and instructions issued in terms of the act
  - . Municipal Systems Act, 2000 (Act [No. 32 of 2000](#)) (MSA) and regulations and instructions issued in terms of the act
  - . Municipal Property Rates Act, 2004 (Act [No. 6 of 2004](#)) and regulations and instructions issued in terms of the act

- . Companies Act, 2008 (Act [No. 71 of 2008](#)) and regulations and instructions issued in terms of the act
- . Public Service Act, 1994 (Act No. 103 of 1994) (PSA) and regulations issued in terms of the act
- . Preferential Procurement Policy Framework Act, 2000 (Act [No. 5 of 2000](#)) and regulations and instructions issued in terms of the act
- . Construction Industry Development Board Act, 2000 (Act [No. 38 of 2000](#)) and regulations issued in terms of the act
- . State Information Technology Agency Act, 1998 (Act [No. 88 of 1998](#)) and regulations issued in terms of the act
- . Prevention and Combating of Corrupt Activities Act, 2004 (Act [No. 12 of 2004](#))
- . Auditee-specific enabling legislation
- . National Environmental Management Act, 1998 (Act [No. 107 of 1998](#)) (NEMA)
- . National Environmental Management: Waste Act, 2008 (Act [No. 59 of 2008](#)) (NEMWA)
- . National Water Act, 1998 (Act [No. 36 of 1998](#))
- . Environmental Conservation Act, 1989 (Act [No. 73 of 1989](#)) (ECA)

**Audit of reported information on performance against predetermined objectives - sections 20 (2) (c) and 28 (1) (c) of the PAA**

14. In terms of section 20 (2) (c) of the PAA, the auditor's report must reflect an opinion, conclusion or findings on the reported performance of the auditee against its predetermined objectives. In terms of section 28 (1) (c) of the PAA, the auditor's report must reflect at least an opinion or conclusion on the reported information relating to the performance of the auditee against predetermined objectives. Assurance in the form of an audit opinion or conclusion on the usefulness and reliability of the reported information on performance against predetermined objectives is currently included in the management report, with material findings being reported in the auditor's report.
15. The level of assurance provided may be reasonable or limited as predetermined by the AGSA based on the following:
  - . The importance of the mandate of the auditee
  - . The size and nature of the auditee's business
16. Where the entity is not required to report on its performance or where it has nothing to report in the case of a dormant entity, a statement to this effect will be included in the auditor's report.
17. The audit of reported information on performance against predetermined objectives is performed in accordance with ISAE 3000 (Revised) and the criteria developed from the Performance Management and Reporting Framework (PMRF), consisting of the following:
  - . Legislation applicable to performance planning, management and reporting, which includes the following:
    - . PFMA
      - . Treasury Regulations (TR), 2005, issued in terms of the PFMA
      - . National Treasury (NT) Practice Note 4 of 2009-10
      - . Public Service Act, 1994 (PSA)
      - . Public Service Regulations, 2016, issued in terms of the PSA
    - . MFMA
      - . Municipal Systems Act, 2000 (MSA)
      - . Regulations for Planning and Performance Management, 2001, issued in terms of the MSA
      - . Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to Municipal Managers, 2006, issued in terms of the MSA
    - . FMPPLA
      - . Regulations for reporting by public higher education institutions, 2014, issued in terms of the Higher Education Act [No. 101 of 1997](#) (applicable to universities only).
  - . Framework for the Managing of Programme Performance Information (FMPPPI), issued by the NT. This framework is applicable to all spheres of government.
  - . Framework for Strategic Plans and Annual Performance Plans (FSAPP), issued by the NT. This framework is applicable to all national and provincial departments, constitutional institutions and those public entities listed in parts A and C of schedule 3 of the PFMA.
  - . Circulars and guidance issued by the NT and the Department of Public Service and Administration (DPSA) and supported by the Department of Planning, Monitoring and Evaluation (DPME) regarding the planning, management, monitoring and reporting of performance against predetermined objectives.
18. The criteria applicable to the different categories of auditees, as derived from the PMRF, are detailed in [Annexure B](#). Material findings on the completeness of planned performance information and overall presentation of reported information will only be included in the management report and not in the auditor's report.
19. The AGSA applies the following scoping criteria in selecting the subject matters (programmes/objectives/development priorities) for the audit:

- . Qualitative and quantitative considerations such as the following considered individually and in combination:
  - . Subject matters that are a requirement of a law, regulation or sector determination.
  - . Subject matters that relate to the primary functions or purposes of the entity, i.e. its reason for being.
  - . Subject matters that could be of significant national, community or public interest.
  - . Subject matters that relate to outputs of significant importance to the public, such as those with an impact on public health, safety as well as social, economic or environmental well-being.
  - . Any individual subject matter with a budgeted or actual expenditure or revenue amount constituting 30% or more of the total budgeted or actual expenditure or revenue amount.

**Internal control deficiencies, as indicated by the reference to financial management in section 4 (1) and (3) of the PAA**

20. In terms of section 4 (1) and (3) of the PAA, financial management must be audited and reported on. Deficiencies in internal control that resulted in the modification of the opinion on the financial statements and in material findings on the reported performance information and compliance with legislation are included in the auditor's report.
21. The criteria used to evaluate internal control are set out in [Annexure C](#).

**Focus areas - section 13 (1) (b) of the PAA**

22. Additional specific audit focus areas are identified based on an annual risk assessment. Guidance on the scoping of the focus areas is provided annually in a technical update. Significant findings arising from the audits are included in the reports to management and in the AGSA's general reports.

**Material irregularities - sections 1, 5 (1A), 5 (1B), 5A, 5B, 20 (4) of the PAA**

23. The introduction of the concept of material irregularities through the amendment to the PAA was not an attempt to bring in another punitive measure but is rather a complementary mechanism for strengthening financial and performance management, which in turn will contribute to improved accountability in the public sector. If the accounting officer and authority, supported by their political leadership, adhere to their legislated responsibilities and commit to taking swift action when notified of a material irregularity, there will be no need for the Auditor-General to use the remedial and referral powers provided for by section 5 (1) (1A) and 5 (1) (1B) of the PAA.
24. The identification of material irregularities is implemented in a phased approach to allow for the establishment of the capacity, processes and relationships required for full implementation:
  - . Material irregularities are reported in the auditor's report only if they relate to non-compliance with key legislation (as detailed in paragraphs 7 to 13), suspected fraud and theft and breaches of fiduciary duty that resulted in or are likely to result in a material financial loss.
  - . The material irregularity process is implemented at selected auditees audited by the AGSA which cumulatively represent a significant portion of the expenditure budget and the irregular expenditure of national, provincial and local government, including state-owned entities. The selection is also focused on auditees that are key contributors to the government priorities.

**Discretionary engagements - section 5 (1) (a), (aA) and (d) of the PAA**

25. The AGSA may, at its discretion, perform audit-related services, performance audits, special audits, investigations and other defined types of engagements. In addition to the International Standard on Quality Control (ISQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, the following standards guide these audits:

- . Performance audits

These audits are conducted in accordance with ISSAI 3000, *Standard for Performance Auditing* and the *Performance audit manual* developed by the AGSA.

- . Investigations

In terms of section 5 (1) (d) of the PAA and Investigations and special audits regulation 3 (1) the Auditor-General may exercise discretion in deciding to carry out an investigation after taking into account all relevant information and circumstances relating to that information. Investigations and special audits regulation 5(1) prescribes the process of acceptance or declination of a request for an investigation.

Investigations are conducted in accordance with *Standards and guidelines: Investigations* developed by the AGSA.

The annual audit process is vastly different from an investigation. The purpose of the annual audit is not to identify and report on fraud and corruption, but the audit processes could identify possible fraud and corruption which is then reported to management for investigation. The audit evidence gathered as part of the annual audit process is persuasive in nature for the purpose of reaching a particular conclusion and does not require the audit of every transaction, event or action. In contrast, the main objective of an investigation is to gather extensive, factual and conclusive evidence in order for the matter to, for example, hold up in court or in a disciplinary forum. To equate an audit to an investigation is misdirected and leads to unrealistic expectations in respect of the results that an audit can deliver.

- . Other defined engagements

These audits are conducted in accordance with ISA 805 (Revised), *Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*, ISAE 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* or International Standard on Related Services (ISRS) 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*, as appropriate.

## Complaints against the AGSA - section 13 (1) (c) of the PAA

26. The AGSA's complaints mechanism in terms of section 13 (1) (c) of the PAA accommodates complaints pertaining to the following:
- . The exercising of powers, the performance of duties and the administration of the AGSA pertaining to the performance of audits and any other functions in terms of section 11 of the PAA.
  - . Work performed during an audit by the AGSA, authorised auditors and other personnel where it is alleged that such work does not meet professional standards and regulatory and legal requirements.
  - . Complaints of non-compliance by the AGSA, authorised auditors and other personnel with the AGSA's internal system of quality control.
  - . Complaints pertaining to the auditor-general as a person.
27. Complaints against the AGSA should be addressed in writing to the:
- Complaints Manager, Auditor-General of South Africa
- Physical address: 300 Middel Street, New Muckleneuk, Pretoria
- Postal address: PO Box 446, Pretoria, 0001
- Email: [ethics@agsa.co.za](mailto:ethics@agsa.co.za)

## Footnotes

1. <http://www.ifac.org/IAASB>
2. <https://www.ifac.org/ethics>
3. <https://www.intosai.org>

## National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Directives/ GN 540 of 15 May 2020: Directive (Government Gazette No. 43326)/ AUDITS OF PUBLIC ENTITIES AND OTHER INSTITUTIONS NOT PERFORMED BY THE AGSA - SECTION 4 (3) OF THE PAA

### AUDITS OF PUBLIC ENTITIES AND OTHER INSTITUTIONS NOT PERFORMED BY THE AGSA - SECTION 4 (3) OF THE PAA

#### Audits that the AGSA has opted not to perform - section 25 (1) (a) of the PAA

28. In terms of section 4 (3) (a) and (b) of the PAA, the AGSA may audit and report on the accounts, financial statements and financial management of any public entity listed in the PFMA and any other institution not mentioned in section 4 (1) of the PAA and which is:
- . funded from the national revenue fund or a provincial revenue fund or by a municipality, or
  - . authorised in terms of any legislation to receive money for a public purpose.
29. In terms of section 25 (1) (a) of the PAA, the AGSA opts not to perform the audits of any auditees within the ambit of section 4 (3) of the PAA, which are not already being audited by the AGSA for the 2019-20 financial year, unless the auditee is advised otherwise before the start of that financial year.
30. The requirements for the procedural matters relating to the audits that the AGSA has opted not to perform in terms of [section 4 \(3\)](#) of the PAA are contained in the Public Audit Act, 2004 (Act [No. 25 of 2004](#)): Regulations on Audits by Auditors in Private Practice which were issued on 1 April 2019. [Annexures D](#) and [E](#) of this directive should be used together with the implementation of these regulations.

## National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Directives/ GN 540 of 15 May 2020: Directive (Government Gazette No. 43326)/ AUDITEES FOR WHICH LEGISLATION IS NOT PRESCRIPTIVE IN RESPECT OF THE FINANCIAL STATEMENTS-SECTION 14 (2) (b) OF THE PAA

### AUDITEES FOR WHICH LEGISLATION IS NOT PRESCRIPTIVE IN RESPECT OF THE FINANCIAL STATEMENTS-SECTION 14 (2) (b) OF THE PAA

31. The financial statements of an auditee, as defined in section 1 (1) of the PAA, that are not subject to the PFMA, the MFMA or any other legislation that is prescriptive in respect of the financial statements, must:
- . be prepared in accordance with the Generally Recognised Accounting Practice (GRAP) reporting framework issued by the Accounting Standards Board (ASB)[4](#)
  - . comply with the PFMA requirements applicable to entities as they pertain to the information to be contained in the financial statements, as well as the period within which the financial statements are to be submitted for auditing.
32. The above requirement regarding the application of the GRAP reporting framework is not applicable where the auditee is not required to prepare full financial statements comprising a statement of financial position, a statement of financial performance, a statement of changes in net assets, a cash flow statement and notes, including a summary of significant accounting policies and other explanatory notes.

33. Where an entity is not listed in the PFMA, even though it appears to comply with the criteria of a public entity, it should comply with paragraph 31.

#### **Footnotes**

4. <http://www.asb.co.za>

### **National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Directives/ GN 540 of 15 May 2020: Directive (Government Gazette No. 43326)/ TIMING AND SUBMISSION OF INFORMATION FOR AUDIT PURPOSES - AND CONFIDENTIALITY OF INFORMATION - SECTIONS 15 (2) (b) and 50 OF THE PAA**

#### **TIMING AND SUBMISSION OF INFORMATION FOR AUDIT PURPOSES - AND CONFIDENTIALITY OF INFORMATION - SECTIONS 15 (2) (b) and 50 OF THE PAA**

34. In compliance with applicable legislated submission, auditing and tabling deadlines in the PFMA and the MFMA, as well as to allow adequate time for conducting the audit in accordance with the relevant auditing standards, auditees must adhere to the following:
- . The annual performance reports must be submitted not later than the legislated submission date for the financial statements.
  - . The trial balance and general ledger that agree with the financial statements, together with the supporting asset register, inventory register and subsidiary ledgers for receivables and payables, must be submitted together with the financial statements. All information in support of disclosures in the financial statements not included in the general and subsidiary ledgers must also be submitted concurrently with the financial statements.
  - . The strategic development plan and all other documentation and information in support of the annual performance report must be submitted at the latest with the annual performance report.
  - . All documentation and information in support of the financial statements, reported performance against predetermined objectives and compliance with legislation must be available on request and be retrievable within a reasonable time, as agreed per the engagement letter. If this information is not provided in the time agreed, it will be regarded as a limitation on the audit, which could result in a modification of the audit opinion.
  - . As agreed in the audit engagement letter, the other financial and non-financial information to be included in the annual report should be made available on or before the date contained therein. If this other information is not provided before the date of the auditor's report, management will be requested to provide written representation that the information will be provided as soon as possible and before the annual report is published; this confirmation will be referred to in the auditor's report. The fact that the other information is not provided before the date of the auditor's report does not prevent the auditor from issuing the auditor's report, but the other information will be read and considered when it becomes available, which may require amendments to the auditor's report if inconsistencies or material misstatements are identified.
  - . The withdrawal and re-submission of financial statements and performance reports submitted for auditing are not permitted; the financial statements and performance reports may only be adjusted for matters identified during the audit.
35. The confidentiality of information obtained in an engagement must be observed at all times. In terms of section 50 of the PAA and the *International Code of Ethics for Professional Accountants* of the International Ethics Standards Board for Accountants, the AGSA, or an audit firm appointed in terms of section 25 of the PAA, will not disclose or make available any information obtained during an audit, other than the final auditor's report, to any third party unless this is to a legislature or internal committee of a legislature or a court in a criminal matter and the disclosure has been approved by the auditee and the Auditor-General.

### **National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Directives/ GN 540 of 15 May 2020: Directive (Government Gazette No. 43326)/ ASSESSMENT AND RECOGNITION OF THE FINANCIAL REPORTING FRAMEWORKS APPLICABLE IN THE PUBLIC SECTOR - SECTION 20 (2) (a) OF THE PAA**

#### **ASSESSMENT AND RECOGNITION OF THE FINANCIAL REPORTING FRAMEWORKS APPLICABLE IN THE PUBLIC SECTOR - SECTION 20 (2) (a) OF THE PAA**

36. The applicable financial reporting framework provides the criteria against which the auditor audits the financial statements. As one of the preconditions for an audit, the auditor is required to determine whether the financial reporting framework applied in preparing the financial statements is acceptable. This is done by applying the requirements of the ISAs and the guidance set out in South African Auditing Practice Statement (SAAPS) 2. The following financial reporting frameworks are recognised in the public sector and are considered fair presentation frameworks:
- . International Financial Reporting Standards (IFRS)
  - . Standards of GRAP
  - . Modified Cash Standard (MCS) prescribed by the NT
37. Departures or exemptions from the applicable financial reporting framework are granted in terms of sections 79 and 92 of the PFMA, respectively, and sections 170 and 177 of the MFMA, respectively.



Expenditure management	Management of expenditure to ensure that resources are used in an effective, efficient, economical and transparent manner and that all expenditure is necessary, appropriate and paid promptly and is adequately recorded and reported. Effective/reasonable measures to prevent unauthorised, irregular as well as fruitless and wasteful expenditure.	Yes	Yes	Yes	Yes - except if total expenditure is not material	Yes	Yes	Yes - except if total expenditure is not material	Yes
Revenue management	Effective and efficient revenue management that provides for the identification, collection, recording and reconciliation of revenue.	Yes - only departments that generated material revenue other than voted and donor funds	No	Yes - only entities that generated material revenue other than voted and donor funds	Yes - only public entities that generated material revenue	No	Yes - only municipalities that generated any revenue from municipal services	Yes - only municipal entities that generated any revenue from municipal services	Yes - only institutions that generated material revenue
Asset management	Effective asset management, including the safeguarding and maintenance of assets to eliminate theft, losses, wastage and misuse and a management and accounting information system that accounts for the assets.	Yes	Yes	Yes	Yes - except if it is a small auditee	No	Yes	Yes - except if it is a small auditee	Yes
	The disposal of significant assets is properly dealt with in terms of applicable legislation.								
Liability management	Effective liability management, including an accounting information system that accounts for liabilities. The focus is on borrowings (long term and short term), credit cards, guarantees, indemnities and securities.	No	No	No	Yes - except if the entity has no liabilities or liabilities are not material	No	Yes - except if the municipality has no liabilities or liabilities are not material	Yes - except if the entity has no liabilities or liabilities are not material	No
Strategic planning and performance management	Strategic planning that identifies strategically important outcome-orientated goals and objectives against which the institution's medium-term results can be measured and evaluated. Effective system for performance planning, monitoring, measurement, review, reporting and improvement.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Procurement and contract management	Procurement of goods and services in accordance with a system that is fair, equitable, transparent, competitive and cost effective.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Human resource management	Effective human resource management to ensure that adequate and sufficiently skilled resources are in place.	No	No	No	No	No	Yes	Yes - unless it is a small auditee	Yes

Environment management	Compliance with legislation such as obtaining a licence and complying with licence conditions for the operation of landfill sites and wastewater treatment plants.	No	No	No	No	No	Yes - applicable only to metropolitan municipalities	No	No
Transfer of funds	Transfer of funds in accordance with the legislative requirements.	Yes	No	No	No	Yes - where applicable	Yes	No	No
Utilisation of conditional grants	Utilisation of conditional grants in accordance with the conditions of the allocation.	Yes	No	No	No	Yes - where applicable	Yes	No	No
Consequence management	Allegations of financial misconduct (including possible fraud and improper conduct relating to supply chain management); unauthorised, irregular as well as fruitless and wasteful expenditure; and other transgressions are investigated and appropriate action is taken based on the outcome of the investigation.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Governance and oversight	Exercise of ethical and effective leadership by governing and oversight bodies towards the achievement of ethical culture, good performance, effective control, and legitimacy.	No	No	No	Yes - only schedule 2 entities	No	No	No	No

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Directives/ GN 540 of 15 May 2020: Directive (Government Gazette No. 43326)/ ANNEXURE B APPLICABILITY OF CRITERIA DEVELOPED FROM THE PERFORMANCE MANAGEMENT AND REPORTING FRAMEWORK TO DIFFERENT CATEGORIES OF AUDITEES**

**ANNEXURE B  
APPLICABILITY OF CRITERIA DEVELOPED FROM THE PERFORMANCE MANAGEMENT AND REPORTING FRAMEWORK TO DIFFERENT CATEGORIES OF AUDITEES**

The criteria developed from the above framework are applicable to audits in all three spheres of government unless otherwise indicated.

Criteria	References to PMRF per type of institution					
	Departments/ Constitutional institutions/ Trading entities	Public entities	Municipalities	Municipal entities	Parliament/ Provincial legislatures	Universities
<b>Consistency: Objectives, performance indicators and targets are consistent between planning and reporting documents.</b>						
1. Reported strategic or development objectives are consistent or complete when compared to planned objectives.	Section 40 (3) (a) of the PFMA TR 5.2.4 NT Instruction Note 33: Implementation of the Framework for Strategic Plans and Annual Performance Plans (FSAPP) Sections 25 (1) and 31 (1) of the Public Service Regulations (PSR)	Section 55 (2) (a) of the PFMA TR 28.2.2 Applicable to 3A & 3C public entities: TR 30.1.3 (g) NT Instruction Note 33: Implementation of the FSAPP Applicable to 2; 3B & 3D public entities: TR 29.1.1 & TR 29.2		Section 121 (3) (f) of the MFMA Section 41 (a) - (c) & 46 of the MSA	Section 121 (4) (d) of the MFMA	Section 55 (3) (d) of the FMPPLA Section 5 (2) (k) & 7 (4) (a) of the regulations for reporting by Public Higher Education Institutions
		Applicable to 3A & 3C				



2. Changes to strategic or development objectives are approved.	TR 5.1.1 NT Instruction Note 33: Implementation of the FSAPP Section 4 of FSAPP	public entities: TR 30.1.1 NT Instruction Note 33: Implementation of the FSAPP Section 4 of FSAPP Applicable to 2; 3B & 3D public entities: TR 29.1.1 & TR 29.2	Section 25 (2) of the MSA	Section 54 (1) (c) of the MFMA	Section 15 (1) & (2) (b) of the FMPPLA	Section 5 (2) (m) & 7 (4) (a) of the regulations for reporting by Public Higher Education Institutions
3. Reported indicators are consistent or complete when compared to planned indicators.	Section 40 (3) (a) of the PFMA TR 5.2.4 NT Instruction Note 33: Implementation of the FSAPP Section 25 (1) of the PSR	Section 55 (2) (a) of the PFMA TR 28.2.2 Applicable to 3A & 3C public entities: TR 30.1.3 (g) NT Instruction Note 33: Implementation of the FSAPP Applicable to 2; 3B & 3D public entities: TR 29.1.1 & TR 29.2	Section 121 (3) (f) of the MFMA Section 41 (a) - (c) & section 46 of the MSA	Section 121 (4) (d) of the MFMA	Section 55 (3) (d) of the FMPPLA	Section 5 (2) (k) & 7 (4) (a) of the regulations for reporting by Public Higher Education Institutions
4. Changes to indicators are approved.	TR 5.1.1 NT Instruction Note 33: Implementation of the FSAPP Section 4 of FSAPP	Applicable to 3A & 3C public entities: TR 30.1.1 NT Instruction Note 33: Implementation of the FSAPP Section 4 of FSAPP Applicable to 2; 3B & 3D public entities: TR 29.1.1 & TR 29.2	Section 25 (2) of the MSA	Section 54 (1) (c) of the MFMA	Section 15 (1) & (2) (b) of the FMPPLA	Section 5 (2) (m) of the regulations for reporting by Public Higher Education Institutions
5. Reported targets are consistent or complete compared to planned targets.	Section 40 (3) (a) of the PFMA TR 5.2.4 NT Instruction Note 33: Implementation of the FSAPP Section 25 (1) of the PSR	Section 55 (2) (a) of the PFMA TR 28.2.2 Applicable to 3A & 3C public entities: TR 30.1.3 (g) Applicable to 2; 3B & 3D public entities: TR 29.1.1 & TR 29.2	Section 121 (3) (f) of the MFMA Section 41 (a) - (c) & section 46 of the MSA	Section 121 (4) (d) of the MFMA	Section 55 (3) (d) of the FMPPLA	Section 5 (2) (k) & 7 (4) (a) of the regulations for reporting by Public Higher Education Institutions
6. Changes to targets are approved.	TR 5.1.1 NT Instruction Note 33: Implementation of the FSAPP Section 4 of FSAPP	Applicable to 3A & 3C public entities: TR 30.1.1 NT Instruction Note 33: Implementation of the FSAPP Section 4 of FSAPP Applicable to 2; 3B & 3D public entities: TR 29.1.1 & TR 29.2	Section 25 (2) of the MSA	Section 54 (1) (c) of the MFMA	Section 15 (1) & (2) (b) of the FMPPLA	Section 5 (2) (m) of the regulations for reporting by Public Higher Education
7. Reported achievements are consistent with the planned and reported indicator and target*.	Section 40 (3) (a) of the PFMA	Section 55 (2) (a) of the PFMA	Section 121 (3) (f) of the MFMA	Section 121 (4) (d) of the MFMA	Section 55 (3) (d) of the FMPPLA	Section 7 (4) (a) of the regulations for reporting by Public Higher Education Institutions
<b>Measurability: Performance indicators are well defined and verifiable, and targets are specific, measurable and time bound.</b>						
8. A performance indicator is well defined when it has a clear, unambiguous definition so that data will be collected consistently and is easy to understand and use.	FMPPI chapter 3.2				Criteria not applicable	Section 1 (d) of the regulations for reporting by Public Higher Education Institutions
9. A performance indicator is verifiable when it is possible to validate or verify the processes and systems that produce the	FMPPI chapter 3.2				Criteria not applicable	

indicator.				
10. A target is specific when the nature and required level of performance of the target is clearly identifiable.	FMPPPI chapter 3.3		Criteria not applicable	Section 1 (a) of the regulations for reporting by Public Higher Education Institutions
11. A target is measurable when the required performance can be measured.	FMPPPI chapter 3.3		Criteria not applicable	Section 1 (b) of the regulations for reporting by Public Higher Education Institutions
12. A target is time bound when the time-frames for achievement of targets are indicated.	FMPPPI chapter 3.3		Criteria not applicable	Section 1 (c) of the regulations for reporting by Public Higher Education Institutions
<b>Relevance: Performance indicators relate logically and directly to an aspect of the institution's mandate and the realisation of its strategic goals and objectives.</b>				
13. The performance indicator and target relate logically and directly to an aspect of the institution's mandate and the realisation of its strategic goals and objectives.	FMPPPI chapter 3.2		Criteria not applicable	Section 1 (e) of the regulations for reporting by Public Higher Education Institutions
<b>Presentation and disclosure: Performance information in the annual performance report is presented and disclosed in accordance with the requirements contained in the legislation, frameworks, circulars and guidance.</b>				
14. Reasons for variances between planned and actual performance are disclosed in the annual performance report.	NT annual report guide for national and provincial departments Section 31 (1) of the PSR	Applicable to 3A & 3C public entities: NT annual report guide for schedule 3A and 3C public entities	Criteria not applicable	
15. Reasons for variances are corroborated by source documentation.	NT annual report guide for national and provincial departments Chapter 5 of the FMPPPI	Applicable to 3A & 3C public entities: NT annual report guide for schedule 3A and 3C public entities Chapter 5 of the FMPPPI	Criteria not applicable	
16. Changes to objectives, performance indicators and performance targets are disclosed in the annual performance report.	NT annual report guide for national and provincial departments Section 31 (1) of the PSR	Applicable to 3A & 3C public entities: NT annual report guide for schedule 3A and 3C public entities	Criteria not applicable	
17. Actual performance compared to planned targets and prior year performance is disclosed in the annual performance report.	Criteria not applicable		Section 46 of the MSA	Criteria not applicable
18. Measures taken to improve				

performance are disclosed in the annual performance report.	Criteria not applicable		Section 46 of the MSA	Criteria not applicable		
19. Measures taken to improve performance are corroborated with audit evidence.	Criteria not applicable		Section 46 of the MSA	Criteria not applicable		
<b>Reliability: The recording, measuring, collating, preparing and presenting of information on actual performance achievements is valid, accurate and complete.</b>						
20. Reported performance occurred and pertains to the reporting entity.	Section 40 (3) (a) of the PFMA Chapter 5 of the FMPPI Section 25 (1) (e) of the PSR	Section 55 (2) (a) of the PFMA Chapter 5 of the FMPPI	Section 45 of the MSA Chapter 5 of the FMPPI	Section 45 of the MSA Chapter 5 of the FMPPI	Section 55 of the FMPPLA	Section 7 of the regulations for reporting by Public Higher Education Institutions
21. Amounts, numbers and other data relating to reported performance are recorded and reported correctly.						
22. All actual performance that should have been recorded is included in the reported performance information.						

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Directives/ GN 540 of 15 May 2020: Directive (Government Gazette No. 43326)/ ANNEXURE C CRITERIA USED TO EVALUATE INTERNAL CONTROL**

**ANNEXURE C  
CRITERIA USED TO EVALUATE INTERNAL CONTROL**

**LEADERSHIP**

- . Provide effective leadership based on a culture of honesty, ethical business practices and good governance, protecting and enhancing the best interests of the auditee.
- . Exercise oversight responsibility regarding financial and performance reporting, compliance and related internal controls.
- . Implement effective human resource management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored.
- . Establish and communicate policies and procedures to enable and support the understanding and execution of internal control objectives, processes and responsibilities.
- . Develop and monitor the implementation of action plans to address internal control deficiencies.
- . Establish an information technology (IT) governance framework that supports and enables the business, delivers value and improves performance.

**FINANCIAL AND PERFORMANCE MANAGEMENT**

- . Implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.
- . Implement controls over daily and monthly processing and reconciling of transactions.
- . Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.
- . Review and monitor compliance with applicable legislation.
- . Design and implement formal controls over IT systems to ensure the reliability of the systems and the availability, accuracy and protection of information.

**GOVERNANCE**

- . Implement appropriate risk management activities to ensure that regular risk assessments, including the consideration of IT risks and fraud prevention, are conducted and that a risk strategy to address the risks is developed and

monitored.

Ensure that there is an adequately resourced and functioning internal audit unit that identifies internal control deficiencies and recommends corrective action effectively.

Ensure that the audit committee promotes accountability and service delivery through evaluating and monitoring responses to risks and overseeing the effectiveness of the internal control environment, including financial and performance reporting and compliance with legislation.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Directives/ GN 540 of 15 May 2020: Directive (Government Gazette No. 43326)/ ANNEXURE D MONITORING CHECKLIST FOR AUDITS NOT CONDUCTED BY THE AUDITOR-GENERAL OF SOUTH AFRICA**

**ANNEXURE D  
MONITORING CHECKLIST FOR AUDITS NOT CONDUCTED BY THE AUDITOR-GENERAL OF SOUTH AFRICA**

**INSTRUCTIONS**

1. This checklist should be completed by the appointed audit firm for each audit it has conducted and should be submitted together with the information required in terms of sections 27 (5) and 28 (3) (c) of the PAA within five months after the financial year-end, i.e. on or before 31 August.

**DETAILS OF AUDITEE**

**Name of auditee**

**Controlling department**

**Type of auditee (schedule number)**

**Holding company (if applicable)**

**Subsidiaries (if applicable)**

**DETAILS OF AUDIT FIRM**

**Engagement firm**

**Engagement firm's address**

**Engagement firm's contact details**

**Engagement partner**

**Engagement partner's contact details**

**AGSA DETAILS**

**Audit business unit**

**Business executive**

<i>No.</i>	<i>Requirements</i>	<i>Complied Yes/no*/ not applicable</i>	<i>Remarks/comments</i>
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**Public Audit Act, 2004 (Act [No. 25 of 2004](#)) (PAA)**

1. All the requirements of the PAA and this general notice were complied with.

2. The auditor's report to the accounting authority was submitted within the time-frame prescribed by the PFMA.

3. Three copies of the annual report, containing the auditor's report and the audited financial statements, were submitted to the AGSA by 31 August.

**Audit**

4. The auditor's report complied with the template and reporting guide provided by the AGSA.
5. Other technical guidance provided by the AGSA as applicable to the auditee has been complied with.
6. Separate financial statements were audited and an auditor's report was

submitted for all subsidiaries.

\* Where the answer is 'no', comments must be included.

7. General comments:

*Insert details*

<b>Completed by engagement partner:</b>	Signature:
	Name:
	Date:

**CONCLUSION** (to be completed by the audit business unit after receipt of all information)

No.	Requirements	Complied Yes/no*	Remarks/comments
	Did the auditors and the auditee satisfy the requirements of sections 25 to 27 of the PAA, relating to the following:		
1.	<ul style="list-style-type: none"><li>. Appointment of auditors</li><li>. Discharge of auditors</li><li>. Duties and powers of auditors</li></ul>		
	Has the engagement firm satisfied the reporting requirements of the following:		
	<ul style="list-style-type: none"><li>. The PAA</li></ul>		
2.	<ul style="list-style-type: none"><li>. This general notice</li><li>. The AGSA's Reporting guide and reporting template</li><li>. Other technical guidance applicable to the auditee</li></ul>		

\* Where the answer is 'no', comments must be included

3. General comments:

*Insert details*

4. Recommended further action in terms of this notice:

*Insert details*

<b>Evaluated by a business executive/senior manager of the AGSA</b>	Signature:
	Name:
	Date:

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Directives/ GN 540 of 15 May 2020: Directive (Government Gazette No. 43326)/ ANNEXURE E CONSULTATION WITH THE AUDITOR-GENERAL OF SOUTH AFRICA ON THE APPOINTMENT OR DISCHARGE OF THE REGISTERED AUDITOR IN TERMS OF SECTIONS 25 AND 26 OF THE PAA**

**ANNEXURE E  
CONSULTATION WITH THE AUDITOR-GENERAL OF SOUTH AFRICA ON THE APPOINTMENT OR DISCHARGE OF THE REGISTERED AUDITOR IN TERMS OF SECTIONS 25 AND 26 OF THE PAA**

**INSTRUCTIONS**

The auditee should submit the following details and complete the applicable sections as follows:

- . PART 1 - When the auditee has not received confirmation that the AGSA has opted to perform the audit prior to the commencement of the financial year and is appointing a new audit firm.
- . PART 2 - When the auditee has not received confirmation that the AGSA has opted to perform the audit prior to the commencement of the financial year and the current audit firm is to be reappointed.
- . PART 3 - When the auditee wishes to discharge the current audit firm.
- . PART 4 - When the auditor in private practice wishes to resign from being the appointed auditor.

**Particulars of auditee**

**Name**

**Postal address**

**Physical address**  
**Fax number**  
**Telephone number**  
**Email address of chief financial officer**

**Accounting authority chairperson**     **Name**  
  **Contact details**

**Responsible minister (executive authority)**     **Name**  
  **Contact details**

**Responsible department**  
**Contact person at department**

**Financial year in question**  
**PFMA schedule** (2, 3A, 3B, 3C or 3D)

**Name of holding entity** (if applicable)

#### **PART 1 - Appointment of new audit firm**

##### **Information to be supplied**

1. Submit the following via email to [section4@aqsa.co.za](mailto:section4@aqsa.co.za):
  - . Completed information sheet (see below)
  - . Declaration of independence from the proposed audit firm (see section 3 below)
  - . Confirmation and details of the process followed for the procurement of the external audit services
  - . BBBEE certificate of the audit firm
  - . Confirmation of the registration of the audit firm with the Independent Regulatory Board for Auditors (IRBA)
  - . Approved minutes of the meeting where the appointment of the auditors was discussed
  - . Proposal received from the audit firm

##### **Information sheet**

###### **Particulars of audit firm**

**Name of audit firm**  
**Address and contact details**  
**Engagement partner**  
**Proposed audit fee**

2. Details of how the quality of the audit firm's work has been assessed, e.g. results of IRBA reviews, as well as confirmation from IRBA that the appointed audit firm is in good standing with IRBA:

*Insert details*

3. Matters that may influence a decision regarding the independence, objectivity or perceived independence of the audit firm:

*Insert details*

4. Confirmation from the accounting authority/board that a procurement process was followed and no exceptions were noted:

*Insert details*

5. Costs of any audit or non-audit services provided by the audit firm during the last three years:

**Financial year**  
**Audit fees**  
**Fees for other services**  
**Total fees**  
**Non-audit fees as a percentage of total fees**  
**Nature of services performed**

##### **Declaration of independence by audit firm**

###### **Particulars of audit firm**

**Name of audit firm**  
**Address and contact details**  
**Engagement partner**

We hereby confirm the following concerning our proposed appointment as auditors of  
for the financial year

- . We, or any related network firm, do not undertake any audit or non-audit services at the auditee and have not done so for the past five years.
- . We have the necessary competencies and capabilities to undertake the audit.

<b>Completed by engagement partner:</b>	Signature:
	Name:
	Date:

**Information submitted by:**

<b>Completed by auditee:</b>	Signature:
	Name and designation:
	Date:

**PART 2 - Reappointment of audit firm**

**Information to be supplied**

- . Completed information sheet (see below)
  - . Declaration of independence from the proposed audit firm (see section 3 below)
  - . Confirmation and details of the process followed for the procurement of the external audit services
  - . BBBEE certificate of the audit firm
  - . Confirmation of the IRBA registration of the audit firm
  - . Approved minutes of the meeting where the appointment of the auditors was discussed
  - . Proposal received from the audit firm
6. In this regard the following information should be submitted via email to [section4@agsa.co.za](mailto:section4@agsa.co.za):

**Information sheet**

**Particulars of audit firm**

**Name of audit firm**

**Address and contact details**

**Engagement partner**

**Financial years previously audited**

7. Details of the audit committee's assessment of the effectiveness and efficiency of the performance of the external auditors, including IRBA review results:

*Insert details*

8. Details of significant disagreements between the external auditors and the accounting authority during the preceding financial year, if any:

*Insert details*

9. Indicate any matter that may influence a decision regarding the independence, objectivity or perceived independence of the auditors:

*Insert details*

10. Name of partner in charge of the audit for the last five years:

**Year**                      **Name of partner**

**1**

**2**

**3**

**4**

**5**

11. Name of senior audit manager in charge of the audit for the last five years:

**Year**                      **Name of senior audit manager**

**1**

**2**

**3**

**4**

**5**

12. Costs of audit and non-audit services provided by the audit firm during the last three years:

**Financial year**

**Audit fees**

**Fees for other services**

**Total fees**

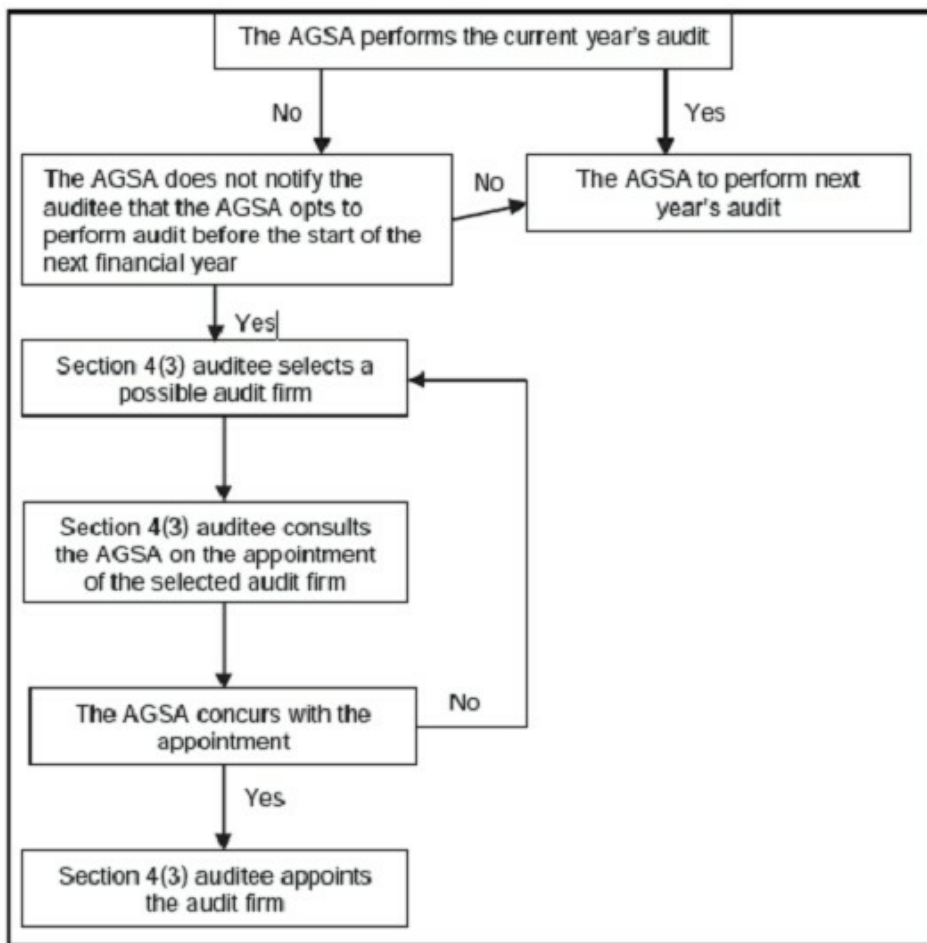
**Non-audit fees as a percentage of total fees**

**Nature of services performed**

**Information submitted by:**

	Signature:
<b>Completed by auditee:</b>	Name and designation:
	Date:

**SCHEMATIC ILLUSTRATION OF THE PROCESS FOR APPOINTING AN AUDITOR**



**PART 3 - Discharge of audit firm**

**Information to be supplied**

13. In this connection the following information should be submitted via email to [section4@agsa.co.za](mailto:section4@agsa.co.za):
- . Information sheet
  - . Notice to the auditor in private practice, giving the reasons for the impending discharge
  - . Notice to the Auditor-General, giving the reasons for the impending discharge of auditors in private practice
  - . Written concurrence by the executive authority with the planned discharge

**Information sheet**

Particulars of audit firm	
<b>Name of audit firm</b>	
<b>Address and contact details</b>	



Engagement partner

Financial years previously engaged on the audit

14. Costs of audit and non-audit services provided by the audit firm during the last three years:

Financial year

Audit fees

Fees for other services

Total fees

Non-audit fees as a percentage of total fees

Nature of services performed

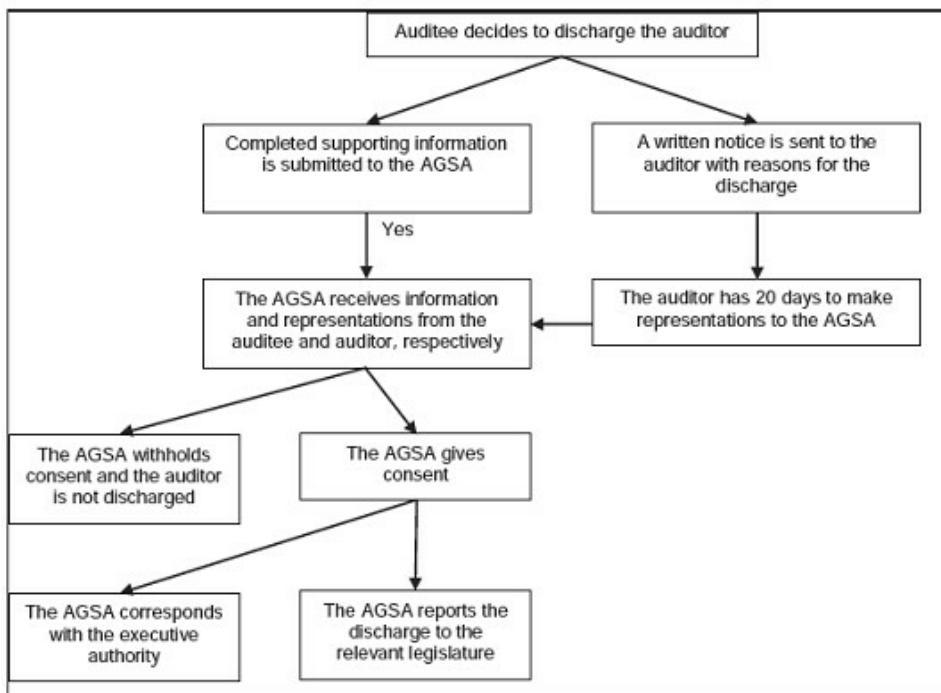
Signature:

Completed and submitted by:

Name and designation:

Date:

**SCHEMATIC ILLUSTRATION OF THE PROCESS FOR DISCHARGING AN AUDITOR**



**PART 4 - Resignation of auditor in private practice**

**Information to be supplied**

15. In this connection the following information should be submitted via email to [section4@agsa.co.za](mailto:section4@agsa.co.za):

- . Information sheet
- . Notice to the institution and the Auditor-General, giving the reasons for the resignation

**Information sheet**

Particulars of audit firm	
Name of audit firm	
Address and contact details	
Engagement partner	

Financial years previously engaged on the audit

16. Costs of audit and non-audit services provided by the audit firm during the last three years:

Financial year

Audit fees

**Fees for other services**

**Total fees**

**Non-audit fees as a percentage of total fees**

**Nature of services performed**

**Completed and submitted by:**

Signature: \_\_\_\_\_

Name and designation: \_\_\_\_\_

Date: \_\_\_\_\_

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Directives/ GN 540 of 15 May 2020: Directive (Government Gazette No. 43326)/ ANNEXURE F REGULATIONS ISSUED IN TERMS OF THE PAA AND RELEVANT EXTRACTS FROM THE PAA**

**ANNEXURE F  
REGULATIONS ISSUED IN TERMS OF THE PAA AND RELEVANT EXTRACTS FROM THE PAA**

1. The following regulations, made in terms of section 52 (1) of the PAA, were published in Government Gazette No. 42368 of 1 April 2019:

- . Material irregularity regulations
- . Investigations and special audits regulations
- . Regulations on Audits by Auditors in Private Practice

2. The following extracts from the PAA are relevant for this directive:

**1. Definitions.**-(1) In this Act, unless the context indicates otherwise-

**"Material irregularity"** means any non-compliance with, or contravention of, legislation, fraud, theft or a breach of a fiduciary duty identified during an audit performed under this Act that resulted in or is likely to result in a material financial loss, the misuse or loss of a material public resource or substantial harm to a public sector institution or the general public.

**2. Objects of this Act.**-The objects of this Act are-

- (b) to provide for the auditing of institutions and accounting entities in the public sector;

**4. Constitutional functions.**-(1) The Auditor-General must audit and report on the accounts, financial statements and financial management of-

- (a) all national and provincial state departments and administrations;
- (b) all constitutional institutions;
- (c) the administration of Parliament and of each provincial legislature;
- (d) all municipalities;
- (e) all municipal entities; and
- (f) any other institution or accounting entity required by other national or by provincial legislation to be audited by the Auditor-General.

(2) The Auditor-General must audit and report on the consolidated financial statements of-

- (a) the national government as required by section 8 of the PFMA;
- (b) all provincial governments as required by section 19 of the PFMA; and
- (c) a parent municipality and all municipal entities under its sole or effective control as required by section 122 (2) of the MFMA.

(3) The Auditor-General may audit and report on the accounts, financial statements and financial management of-

- (a) any public entity listed in the PFMA; and
- (b) any other institution . which is-
  - (i) funded from the National Revenue Fund or a Provincial Revenue Fund or by a municipality; or
  - (ii) authorised in terms of any legislation to receive money for a public purpose.

(3A) The discretion of the Auditor-General as contemplated in subsection (3) applies to any public entity contemplated in subsection (3) (a) and any other institution contemplated in subsection (3) (b) that meets prescribed criteria.

(4) In the event of any conflict between this section and any other legislation, this section prevails.

**5. Other functions.**-(1) The Auditor-General may, at a fee, and without compromising the role of the Auditor-General as an independent auditor-

- (a) provide audit-related services to an auditee ., which is commonly performed by a supreme audit institution on condition that-
  - (i) no services may be provided in respect of any matter that may subsequently have to be audited by the Auditor-General;
  - (ii) such service will not directly result in the formulation of policy; and
  - (iii) there must be full and proper disclosure of (the categories of) such services (in the report annually submitted by the Auditor-General to the National Assembly) in terms of section 10 (1) (b).
- (aA) perform an appropriate audit of any institution . to determine whether appropriate and adequate measures have been implemented to ensure that resources are procured economically and utilised efficiently and effectively;
- (d) carry out an appropriate investigation or special audit of any institution ., if the Auditor-General considers it to be in the public interest or upon the receipt of a complaint or request.

(3) The Auditor-General may, in the public interest, report on any matter within the functions of the Auditor-General and submit such a report to the relevant legislature and to any other organ of state with a direct interest in the matter.

(1A) The Auditor-General may, as prescribed, refer any suspected material irregularity identified during an audit performed under this Act to a relevant public body for investigation, and the relevant public body must keep the Auditor-General informed of the progress and the final outcome of the investigation.

(1B) The Auditor-General has the power to-

- (a) take any appropriate remedial action; and
- (b) issue a certificate of debt, as prescribed, where an accounting officer or accounting authority has failed to comply with remedial action

**5A. Taking remedial action.**-(1) The Auditor-General must, within a reasonable time after the issuing of an audit report ., follow up on whether the accounting officer or accounting authority has implemented the recommendations contained in the audit report relating to any material irregularity, within the time-frame stipulated in the audit report.

(2) If the accounting officer or accounting authority has failed to implement the recommendations contained in the audit report ., the Auditor-General must take appropriate remedial action to address the failure to implement the recommendations.

(3) Where a material irregularity resulted in a financial loss to the State, and the accounting officer or accounting authority failed to implement the recommendations contained in the audit report ., the remedial action taken by the Auditor-General . must include a directive to the accounting officer or accounting authority to determine the amount of the loss, if not yet determined, and to recover such loss as required in terms of any applicable legislation, from the responsible person.

**5B. Failure to comply with specific remedial action.**-(1) Where the accounting officer or accounting authority has failed to implement the remedial action ., the Auditor-General must issue a certificate of debt, as prescribed, to the accounting officer or accounting authority requiring the accounting officer or accounting authority to repay the amount specified in the certificate of debt to the State.

(2) The Auditor-General must submit a copy of the certificate of debt, ., to the responsible executive authority to collect the amount specified in the certificate of debt from the accounting officer or accounting authority in terms of the debt recovery process applicable to the executive authority.

(3) The executive authority must keep the Auditor-General informed of progress made in collecting the amount due by the accounting officer or accounting authority.

(4) The Auditor-General, in determining whether to issue a certificate of debt ., must consider the written representations, as prescribed, received from the accounting officer or accounting authority, and may have due regard to-

- (a) the progress or outcome of an investigation conducted by the Auditor-General .;
- (b) the progress or outcome of any investigation .; or
- (c) any other relevant factor.

(5) If the Auditor-General still intends to issue the certificate of debt after the consideration of the written representations, the Auditor-General must-

- (a) afford the accounting officer or accounting authority an opportunity to make an oral representation, as prescribed, to an advisory structure, established for this purpose .; and
- (b) consider the written recommendations of the advisory structure . before issuing the certificate.

(6) The Auditor-General must submit a copy of the certificate of debt issued . to the relevant legislature for tabling in the relevant legislature.

**11. Application of this part.**-This part applies to all audits of auditees which the Auditor-General-

- (c) must perform in terms of section 4 (1) or (2); or
- (d) opts to perform in terms of section 4 (3).

**13. Standards for audits.**-(1) The Auditor-General, after consulting the oversight mechanism, must determine-

- (a) the standards to be applied in performing audits ;
  - (b) the frequency, nature and scope of such audits; and
  - (c) procedures for the handling of complaints when performing such audits.
- (3) The Auditor-General may-

- (a) make different determinations on the matters mentioned in subsection (1) for different categories of audits based on recognised best practice; or
- (b) issue specific directives on those matters in any specific case.

**14. Submission of financial statements.**-(2) Financial statements submitted by an auditee which is not subject to the PFMA or the MFMA must be submitted within the period, be in a format, contain the information and otherwise comply with any requirements determined-

- (a) by any legislation applicable to that auditee; or
- (b) in the absence of such legislation, by the Auditor-General.

**15. General auditing powers.**-(2) The Auditor-General or an authorised auditor may for the purpose of an audit-

- (b) direct a person to produce or to deliver at a specified place and time and in a specified format-
  - (i) any such document, book or written or electronic record or information ..

**20. Audit reports.**-(2) An audit report must reflect such opinions and statements as may be required by any legislation applicable to the auditee which is the subject of the audit, but must reflect at least an opinion, conclusion or findings on-

- (a) the financial statements of the auditee in accordance with the applicable financial reporting framework and legislation;
- (b) compliance with any applicable legislation relating to financial matters, financial management and other related matters; and
- (c) reported performance of the auditee against its predetermined objectives.

(3) In addition, the Auditor-General may report on whether the auditee's resources were procured economically and utilised efficiently and effectively.

- (4) An audit report may contain recommendations to address any matter raised ..

**50. Disclosure of information.**-No authorised auditor, person assisting an authorised auditor or member of the staff of the Auditor-General may, without the permission of the Auditor-General, disclose information obtained in the course of an audit or the carrying out of duties in terms of this Act otherwise than in an audit report or in accordance with section 18 (4).

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Repealed Rules and Regulations/ Directives/ GN 1580 of 23 December 2016: Directive issued in terms of the Act (Government Gazette No. 40515)**

**GN 1580 of 23 December 2016: Directive issued in terms of the Act (Government Gazette No. 40515)**

**Repealed by GN 1401 published in Government Gazette 41321 of 15 December 2017**

DEPARTMENT OF AUDITOR-GENERAL OF SOUTH AFRICA

Under the powers vested in me by [section 13 \(3\) \(b\)](#) of the Public Audit Act, 2004 (Act No. 25 of 2004) (hereafter referred to as the PAA), I, Thembekile Kimi Makwetu, Auditor-General of the Republic of South Africa (hereafter referred to as the AGSA), hereby issue the following directive.

*CONTENT OF THE NOTICE*

[Audit functions performed in terms of the PAA](#)

[Audits of public entities and other institutions not performed by the AGSA - section 4 \(3\) of the PAA](#)

[Auditees for which legislation is not prescriptive in respect of the financial statements - section 14 \(2\) \(b\) of the PAA](#)

[Timing and submission of information for audit purposes - section 15 \(2\) \(b\) of the PAA](#)

[Assessment and recognition of the financial reporting frameworks applicable in the public sector - section 20 \(2\) \(a\) of the PAA](#)

[Repeal of previous government gazettes](#)

[Effective date](#)

[Enquiries](#)

[Annexure A:](#)

[Applicability of compliance subject matters to different categories of auditees](#)

<a href="#">Annexure B:</a>	Applicability of criteria developed from the performance management and reporting framework to different categories of auditees
<a href="#">Annexure C:</a>	Criteria used to evaluate internal control
<a href="#">Annexure D:</a>	Consultation with the auditor-general of south africa on the appointment or discharge of the registered auditor in terms of sections 25 and 26 of the public audit act
<a href="#">Annexure E:</a>	Monitoring checklist for audits not conducted by the auditor-general of South Africa
<a href="#">Annexure F:</a>	Relevant extracts from the Public Audit Act

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Repealed Rules and Regulations/ Directives/ GN 1580 of 23 December 2016: Directive issued in terms of the Act (Government Gazette No. 40515)/ AUDIT FUNCTIONS PERFORMED IN TERMS OF THE PAA**

**AUDIT FUNCTIONS PERFORMED IN TERMS OF THE PAA**

**ANNUAL AUDIT**

1. Financial and performance management and compliance with legislation are audited as part of the annual audit process. The auditor's report reflects an opinion or material findings on the following-
  - . Financial information, through the auditor's opinion on the financial statements or similar financial reporting.
  - . Reported information on performance against predetermined objectives, if applicable.
  - . Compliance with applicable legislation relating to financial matters, financial management and other related matters.
  - . Internal control deficiencies that resulted in-
    - . qualifications of the opinion on the financial statements
    - . findings on the reported information on performance against predetermined objectives
    - . findings on compliance with legislation.

**Auditing standards**

2. Collectively, the International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements issued by the International Auditing and Assurance Standards Board (IAASB)<sup>1</sup> of the International Federation of Accountants (IFAC), as well as the *Code of ethics for professional accountants* issued by IFAC's International Ethics Standards Board for Accountants (IESBA)<sup>2</sup> are applied in the audits.
3. In addition, relevant principles contained in the International Standards of Supreme Audit Institutions (ISSAIs) published by the International Organization of Supreme Audit Institutions (INTOSAI)<sup>3</sup> are applied.

**Audit of financial statements or similar financial reporting - section 20 (2) (a) of the PAA**

4. In terms of section 20 (2) (a) of the PAA, the auditor's report must reflect whether the annual financial statements fairly present, in all material respects, the financial position and results of operations and cash flow in accordance with the applicable financial reporting framework and legislation. This assurance is provided in the auditor's report.
5. The audit is performed in accordance with the International Standards on Auditing (ISAs).

**Audit of compliance with applicable legislation relating to financial matters, financial management and other related matters - sections 20 (2) (b) and 28 (1) (b) of the PAA**

6. In terms of sections 20 (2) (b) and 28 (1) (b) of the PAA, the auditor's report must reflect an opinion or conclusion on the auditee's compliance with any applicable legislation relating to financial matters, financial management and other related matters. Currently, the auditor's report only reflects material findings on non-compliance identified.
7. The audit of compliance with legislation is performed in accordance with principles in the applicable ISSAIs and the International Standard on Assurance Engagements (ISAE) 3000, *Assurance engagements other than audits or reviews of historical financial information*.
8. The determination of compliance subject matters to be included in the scope of the compliance audit is undertaken on an annual basis as follows-
  - . Predetermined at AGSA level for each category of auditee.
  - . Further refinement at engagement level taking into account the specific circumstances of the auditee, including the nature and extent of its business and operations, and the impact of specific actions, transactions or events.
9. The AGSA applies the following scoping criteria in selecting the subject matters for the audit of compliance-
  - . Specific areas of relevance to intended users; matters of significant national, community or public interest - as identified through consultation with internal and external parties.
  - . Government priorities in all three spheres of government - as communicated in the state of the nation address, the national budget speech, the Medium Term Strategic Framework or other similar documents.
  - . Results of previous assurance engagements (i.e. past experience) and how this may affect intended users' expectations about compliance, including improvement.

- . Enhancement of effective legislative oversight; enhancement of transparency, accountability and good governance; focus on continuous improvement and public confidence.
10. The auditor's report reflects material findings on compliance with relevant legislation in respect of the following subject matters, selected in accordance with the criteria in paragraph 9-
    - . Strategic planning and performance management
    - . Budgets
    - . Financial statements, performance reports and annual reports
    - . Procurement and contract management - including procurement and contract management functions performed on behalf of another organ of state (e.g. as procurement or implementing agents)
    - . Human resource management and compensation
    - . Expenditure management
    - . Transfer of funds
    - . Utilisation of conditional grants
    - . Revenue management
    - . Asset management
    - . Liability management
    - . Consequence management
  11. [Annexure A](#) contains details on the applicability of the subject matters to the different categories of auditees.
  12. The criteria used to evaluate the above subject matters are derived from the applicable legislation, with specific focus on the following-
    - . Public Finance Management Act, 1999 (Act [No. 1 of 1999](#)) (PFMA) and regulations and instructions issued in terms of the act
    - . Municipal Finance Management Act, 2003 (Act [No. 56 of 2003](#)) (MFMA) and regulations issued in terms of the act
    - . Financial Management of Parliament and Provincial Legislatures Act, 2009 (Act [No. 10 of 2009](#)) (FMPPLA) and regulations issued in terms of the act
    - . Division of Revenue Act (DoRA)
    - . Appropriation Act
    - . Municipal Structures Act, 1998 (Act [No. 117 of 1998](#)) and regulations and instructions issued in terms of the act
    - . Municipal Systems Act, 2000 (Act [No. 32 of 2000](#)) (MSA) and regulations and instructions issued in terms of the act
    - . Municipal Property Rates Act, 2004 (Act [No. 6 of 2004](#)) and regulations and instructions issued in terms of the act
    - . Companies Act, 2008 (Act [No. 71 of 2008](#)) and regulations and instructions issued in terms of the act
    - . Public Service Act, 1994 (Act No. 103 of 1994) and regulations issued in terms of the act
    - . Preferential Procurement Policy Framework Act, 2000 (Act [No. 5 of 2000](#)) and regulations and instructions issued in terms of the act
    - . Construction Industry Development Board Act, 2000 (Act [No. 38 of 2000](#)) and regulations issued in terms of the act
    - . State Information Technology Agency Act, 1998 (Act [No. 88 of 1998](#)) and regulations issued in terms of the act
    - . Prevention and Combating of Corrupt Activities Act, 2004 (Act [No. 12 of 2004](#))
    - . Auditee-specific enabling legislation

**Audit of reported information on performance against predetermined objectives - sections 20 (2) (c) and 28 (1) (c) of the PAA**

13. In terms of sections 20 (2) (c) and 28 (1) (c) of the PAA, the auditor's report must reflect an opinion or conclusion on the auditee's reported information on performance against predetermined objectives. Assurance in the form of an audit conclusion on the usefulness and reliability of the reported information on performance against predetermined objectives is currently included in the report to management, with material findings being reported in the auditor's report.
14. Material findings on the usefulness of the information reported by universities will only be included in the management report and not in the auditor's report.
15. The level of assurance provided may be reasonable or limited as predetermined by the AGSA based on the following-
  - . The importance of the auditee
  - . The size and nature of the auditee's business
16. The audit of reported information on performance against predetermined objectives is performed in accordance with ISAE 3000 and the criteria developed from the Performance Management and Reporting Framework (PMRF), consisting of the following-

- . Legislation applicable to performance planning, management and reporting, which includes the following-
    - . PFMA
    - . Treasury Regulations (TR), 2005, issued in terms of the PFMA
    - . National Treasury (NT) Practice Note 4 of 2009/10
    - . Public Service Regulations, 2001, issued in terms of the Public Service Act, 1994 (Act No.103 of 1994)
    - . MFMA
    - . MSA
    - . Regulations for Planning and Performance Management, 2001, issued in terms of the MSA
    - . Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to Municipal Managers, 2006, issued in terms of the MSA
    - . FMPPLA
  - . Framework for the Managing of Programme Performance Information (FMPPI), issued by the NT. This framework is applicable to all spheres of government.
  - . Framework for Strategic Plans and Annual Performance Plans (FSAPP), issued by the NT. This framework is applicable to all national and provincial departments, constitutional institutions and those public entities listed in parts A and C of schedule 3 of the PFMA.
  - . Circulars and guidance issued by the NT and the Department of Planning, Monitoring and Evaluation regarding the planning, management, monitoring and reporting of performance against predetermined objectives.
17. The criteria applicable to the different categories of auditees, as derived from the PMRF, are detailed in [annexure B](#).
18. The AGSA applies the following scoping criteria in selecting the subject matters (programmes / objectives / development priorities) for the audit-
- . Qualitative and quantitative considerations such as the following considered individually and in combination-
    - . Subject matters that are a requirement of a law, regulation or sector determination.
    - . Subject matters that relate to the primary functions or purposes of the entity; i.e. its reason for being.
    - . Subject matters that could be of significant national, community or public interest.
    - . Subject matters that relate to outputs of significant importance to the public, such as those with an impact on public health, safety as well as social, economic or environmental well-being.
    - . Any individual subject matter with a budgeted or actual expenditure or revenue amount constituting 30% or more of the total budgeted or actual expenditure or revenue amount.

**Internal control deficiencies, as indicated by the reference to financial management in section 4 (1) and (3) of the PAA**

19. In terms of section 4 (1) and (3) of the PAA, financial management must be audited and reported on. Deficiencies in internal control that resulted in the qualification of the opinion on the financial statements and in material findings on the reported information on performance against predetermined objectives and compliance with legislation are included in the auditor's report.
20. The criteria used to evaluate internal control are set out in [annexure C](#).

**Focus areas - section 13 (1) (b) of the PAA**

21. Additional specific audit focus areas are identified based on an annual risk assessment and are included in the AGSA's *R3: Reporting guide*. Significant findings arising from the audits are included in the reports to management and in the AGSA's general reports.

**Discretionary engagements - section 5 (1) (a) and (d) of the PAA**

22. The AGSA may, at its discretion, perform audit-related services and special audits, including performance audits, investigations and other defined types of engagements. In addition to the International Standard on Quality Control (ISQC) 1, *Quality control for firms that perform audits and reviews of financial statements, and other assurance and related services engagements*, the following standards guide these audits-
- . Performance audits
 

These audits are conducted in accordance with ISSAI 300, *Fundamental principles of performance auditing* and the *Performance audit manual* developed by the AGSA.
  - . Investigations
 

Investigations are conducted in accordance with *Standards and guidelines: Investigations* developed by the AGSA.
  - . Other defined engagements
 

These audits are conducted in accordance with ISA 805, *Audits of single financial statements and specific elements, accounts or items of a financial statement*, ISAE 3000, *Assurance engagements other than audits or reviews of financial information* or International Standard on Related Services (ISRS) 4400, *Engagements to perform agreed-upon procedures regarding financial information*, as appropriate.

## Complaints against the AGSA - section 13 (1) (c) of the PAA

23. The AGSA's complaints mechanism in terms of section 13 (1) (c) of the PAA accommodates complaints pertaining to the following-
- . The exercising of powers, the performance of duties and the administration of the AGSA pertaining to the performance of audits and any other functions in terms of section 11 of the PAA.
  - . Work performed during an audit by the AGSA, authorised auditors and other personnel where it is alleged that such work does not meet professional standards and regulatory and legal requirements.
  - . Complaints of non-compliance by the AGSA, authorised auditors and other personnel with the AGSA's internal system of quality control.
  - . Complaints pertaining to the auditor-general as a person.
24. Complaints against the AGSA should be addressed in writing to the-
- Complaints manager, Auditor-General of South Africa
- Physical address: 300 Middel Street, New Muckleneuk, Pretoria
- Postal address: PO Box 446, Pretoria, 0001
- Email: [ethics@agsa.co.za](mailto:ethics@agsa.co.za)

## Footnotes

- 1 <http://www.ifac.org/IAASB>
- 2 <https://www.ifac.org/ethics>
- 3 <http://www.intosai.org> and <http://www.issai.org>

## National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Repealed Rules and Regulations/ Directives/ GN 1580 of 23 December 2016: Directive issued in terms of the Act (Government Gazette No. 40515)/ AUDITS OF PUBLIC ENTITIES AND OTHER INSTITUTIONS NOT PERFORMED BY THE AGSA - SECTION 4 (3) OF THE PAA

### AUDITS OF PUBLIC ENTITIES AND OTHER INSTITUTIONS NOT PERFORMED BY THE AGSA - SECTION 4 (3) OF THE PAA

#### Audits that the AGSA has opted not to perform - section 25 (1) (a) of the PAA

25. In terms of section 4 (3) (a) and (b) of the PAA, the AGSA may audit and report on the accounts, financial statements and financial management of any public entity listed in the PFMA and any other institution not mentioned in section 4 (1) of the PAA and which is-
- . funded from the national revenue fund or a provincial revenue fund or by a municipality, or
  - . authorised in terms of any legislation to receive money for a public purpose.
26. In terms of section 25 (1) (a) of the PAA, the AGSA opts not to perform the audits of any auditees referred to in section 4 (3) of the PAA, which are not already being audited by the AGSA for the 2016-17 and following financial years, unless the auditee is advised otherwise before the start of its financial year.

#### Appointment of registered auditors - section 25 (1) (b), (2), (3) and (4) of the PAA

27. An auditee should proceed to appoint an audit firm registered with the Independent Regulatory Board for Auditors (IRBA) as stipulated by section 25 (1) (b), read with section 25 (4), of the PAA, if not advised before the start of the financial year that the AGSA will perform the audit.
28. Before appointing the auditor, the auditee must, in terms of section 25 (2) of the PAA, notify the AGSA via email to [section4@agsa.co.za](mailto:section4@agsa.co.za) of the suggested appointment, including information on the extent of other services that will be provided during the period of the appointment. In this regard, the document entitled *Consultation with the Auditor-General of South Africa on the appointment or discharge of the registered auditor*, attached as [annexure D](#), must be completed and the required supporting documentation supplied. The AGSA may consult with the responsible executive authority on the appointment of the audit firm.
29. If the AGSA, within 14 days of receiving a notice by the auditee of the suggested appointment of an auditor, or such longer period as may be agreed to, rejects the auditee's appointment, the auditee must in terms of section 25 (3) of the PAA recommence the process to appoint another person as its auditor.
30. If an audit firm is contracted by the auditee for a period longer than one financial year, the appointment must be reaffirmed with the AGSA for each financial year in terms of section 25 (4) of the PAA.
31. The auditee may not appoint alternative auditors if the AGSA has opted to perform the audit or if auditee-specific legislation prescribes that the audit should be conducted by the AGSA.

#### Discharge of registered auditors - section 26 of the PAA

32. In terms of section 26 (1) of the PAA, an auditee may discharge an auditor before the term of appointment expires with the consent of the AGSA and the relevant executive authority, where applicable.
33. Before discharging the auditor, the auditee must provide the auditor with-



- . a written notice setting out the reasons for the discharge
  - . an opportunity to make written representations to the AGSA within 20 days of receipt of the notice.
34. The auditee must at the same time notify the AGSA of its intention to discharge the appointed auditor by completing the document entitled *Consultation with the Auditor-General of South Africa on the appointment or discharge of the registered auditor*, attached as [annexure E](#), and submit it via email to [section4@agsa.co.za](mailto:section4@agsa.co.za).
35. The AGSA will consider the document and communicate its consent or otherwise to the auditee. The AGSA may consult with the relevant executive authority on this matter.
36. The AGSA will report any discharge of an audit firm to the relevant legislature.

#### **Responsibilities of registered auditors - part 2 of chapter 3 of the PAA**

37. When auditing in the public sector, the auditor must do so in accordance with the requirements, duties and responsibilities as legislated and assigned to him/her in part 2 of chapter 3 of the PAA. The auditor must take cognisance of the content of the PAA and must adhere to the following requirements when auditing auditees where the AGSA has opted not to perform the audit-
- . Appointment of auditors - section 25 of the PAA
  - . Discharge of auditors - section 26 of the PAA
  - . Duties and powers of auditors - section 27 of the PAA
  - . The format and content of the auditor's report, as set out in the AGSA's *R3: Reporting guide* and any other guidance that may be published by the AGSA from time to time to conduct audits in the public sector - section 28 (1) and (2) of the PAA
  - . Submission of the auditor's report to the AGSA - section 28 (3) (c) of the PAA
  - . The requirements of this notice, as applicable
38. To assist auditors in conducting audits in the public sector, they should consider the following documents made available by IRBA that provide a perspective on auditing in the public sector-
- . *A guide for registered auditors: Auditing in the public sector*
  - . *A guide for registered auditors: Audit of predetermined objectives*
  - . *Guide for registered auditors: Guidance on performing audits on behalf of the AGSA*
  - . *Guide for registered auditors: Guidance on performing audits where the AGSA has opted not to perform the audit*
  - . South African Auditing Practice Statement (SAAPS) 2, *Financial reporting frameworks and the auditor's report*
  - . SAAPS 3, *Illustrative reports*

Reference may also be made to the AGSA's website<sup>4</sup> for additional information.

39. The AGSA monitors compliance with the provisions of the PAA and this notice in conducting an audit in terms of section 25 (1) (b) of the PAA. In this regard, the appointed auditor must complete the document entitled *Monitoring checklist for audits not conducted by the AGSA*, attached as [annexure E](#).

#### **Request for information - sections 27 (5) and 28 (3) (c) of the PAA**

40. The AGSA interacts proactively with executive authorities and oversight bodies, such as the parliamentary portfolio and accounts committees. The aim of these engagements is to promote and encourage clean audit outcomes and enhance effective public governance.
41. The audit firm may be invited to such meetings. In terms of section 27 (5) of the PAA, the AGSA may further request the audit firm to submit any information regarding the audit relevant to such meetings, including the auditor's communications with those charged with governance. The invitation to meetings and/or request for information will be communicated by the contact person at the AGSA business unit responsible for the audit of the controlling department to which the auditee reports.
42. Due to the role of the AGSA in establishing the duties and powers of appointed auditors in the public sector, the AGSA may, in addition to the above, request to attend meetings with those charged with governance of the auditee.
43. In terms of the requirements of section 28 (3) (c) of the PAA, read with section 55 (1) (d) of the PFMA, and in order to facilitate reporting on the full ministerial portfolio and reporting and analysis in the AGSA's general reports, the audit firm must furnish the responsible contact person, either in hard copy or electronically, with the following as soon as the annual report has been finalised but not later than five months after the financial year-end or as otherwise agreed with the responsible contact person-
- . A copy of the auditor's report, together with a copy of the audited financial statements of the auditee
  - . Three copies of the auditee's annual report
  - . The completed monitoring checklist ([annexure E](#))

#### **Complaints against registered auditors**

44. Should a registered auditor appointed in terms of section 25 (1) (b) of the PAA be found to be in contravention of the requirements in this notice or any provision of the PAA, the Auditing Profession Act, 2005 (Act [No. 26 of 2005](#)) (APA) or any act with which it is his/her duty to comply in his/her capacity as a registered auditor, the AGSA may lodge a complaint of improper conduct against such auditor with IRBA.

45. In addition, a complaint of improper conduct may be lodged with IRBA against a registered auditor appointed in terms of section 25 (1) (b) of the PAA if it comes to the attention of the AGSA that the auditor has conducted himself/herself in a manner that is improper, discreditable, unprofessional, dishonourable or unworthy or which brings the accounting profession into disrepute.

#### **Footnotes**

4 <http://www.agsa.co.za>

### **National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Repealed Rules and Regulations/ Directives/ GN 1580 of 23 December 2016: Directive issued in terms of the Act (Government Gazette No. 40515)/ AUDITEES FOR WHICH LEGISLATION IS NOT PRESCRIPTIVE IN RESPECT OF THE FINANCIAL STATEMENTS - SECTION 14 (2) (b) OF THE PAA**

#### **AUDITEES FOR WHICH LEGISLATION IS NOT PRESCRIPTIVE IN RESPECT OF THE FINANCIAL STATEMENTS - SECTION 14 (2) (b) OF THE PAA**

46. The financial statements of an auditee, as defined in section 1 (1) of the PAA, that are not subject to the PFMA, the MFMA or any other legislation that is prescriptive in respect of the financial statements, must-
- be prepared in accordance with the Generally Recognised Accounting Practice (GRAP) reporting framework issued by the Accounting Standards Board (ASB)<sup>5</sup>
  - comply with the PFMA requirements applicable to entities as they pertain to the information to be contained in the financial statements, as well as the period within which the financial statements are to be submitted for auditing.
47. The above requirement regarding the application of the GRAP reporting framework is not applicable where the auditee is not required to prepare full financial statements comprising a statement of financial position, a statement of financial performance, a statement of changes in net assets, a cash flow statement and notes, including a summary of significant accounting policies and other explanatory notes.
48. Where an entity is not listed in the PFMA, even though they appear to comply with the criteria of a public entity, they should comply with the above paragraphs.

#### **Footnotes**

5 <http://www.asb.co.za>

### **National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Repealed Rules and Regulations/ Directives/ GN 1580 of 23 December 2016: Directive issued in terms of the Act (Government Gazette No. 40515)/ TIMING AND SUBMISSION OF INFORMATION FOR AUDIT PURPOSES - SECTION 15 (2) (b) OF THE PAA**

#### **TIMING AND SUBMISSION OF INFORMATION FOR AUDIT PURPOSES - SECTION 15 (2) (b) OF THE PAA**

49. In compliance with applicable legislated submission, auditing and tabling deadlines in the PFMA and the MFMA, as well as to allow adequate time for conducting the audit in accordance with the relevant auditing standards, auditees must adhere to the following-
- The annual performance reports must be submitted not later than the legislated submission date for the financial statements.
  - The trial balance and general ledger that agree to the financial statements, together with the supporting asset register, inventory register and subsidiary ledgers for receivables and payables, must be submitted together with the financial statements. All information in support of disclosures in the financial statements not included in the general and subsidiary ledgers must also be submitted concurrently with the financial statements.
  - All documentation and information in support of the financial statements, reported performance against predetermined objectives and compliance with legislation must be available on request and be retrievable within a reasonable time, as agreed per the engagement letter. If this information is not provided in the time agreed, it will be regarded as a limitation on the audit, which could result in a modification of the audit opinion.
  - As agreed in the audit engagement letter, the other financial and non-financial information to be included in the annual report should be made available on or before the date contained therein. If this other information is not provided before the date of the auditor's report, management will be requested to provide written representation that the information will be provided as soon as possible and before the annual report is published. The fact that the other information is not provided before the date of the auditor's report does not prevent the auditor from issuing the auditor's report, but the other information will be read and considered when it becomes available, which may require amendments to the auditor's report if inconsistencies are identified.
  - The withdrawal and re-submission of financial statements and performance reports submitted for auditing are not permitted; the financial statements and performance reports may only be adjusted for matters identified during the audit.

### **National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Repealed Rules and Regulations/ Directives/ GN 1580 of 23 December 2016: Directive issued in terms of the Act (Government Gazette No. 40515)/ ASSESSMENT AND RECOGNITION OF THE FINANCIAL REPORTING**

**ASSESSMENT AND RECOGNITION OF THE FINANCIAL REPORTING FRAMEWORKS APPLICABLE IN THE PUBLIC SECTOR - SECTION 20 (2) (a) OF THE PAA**

50. The applicable financial reporting framework provides the criteria against which the auditor audits the financial statements. As one of the preconditions for an audit, the auditor is required to determine whether the financial reporting framework applied in preparing the financial statements is acceptable. This is done by considering the requirements of the ISAs and the guidance set out in SAAPS 2, *Financial reporting frameworks and the auditor's report*. The following financial reporting frameworks are recognised in the public sector and are considered fair presentation frameworks-
- . International Financial Reporting Standards (IFRS)
  - . South African Statements of Generally Accepted Accounting Practice (SA GAAP), until such time as they are withdrawn from application in the public sector by the ASB
  - . Standards of GRAP
  - . Modified Cash Standard (MCS) prescribed by the NT
51. Departures or exemptions from the applicable financial reporting framework are granted in terms of sections 79 and 92 of the PFMA, respectively, and sections 170 and 177 of the MFMA, respectively.
52. Should an auditee be granted a departure or exemption from the applicable financial reporting framework in accordance with the requirements of the PFMA or the MFMA, additional disclosure of the nature and reasons for, the period of, and the items affected by, the departure or exemption from the applicable financial reporting framework is required in the financial statements to mitigate any possible misunderstanding by the users of the financial statements.
53. The departure or exemption may affect the acceptability of the financial reporting framework and, as a consequence, the wording of the audit opinion. This is assessed on a case-by-case basis in terms of the ISAs.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Repealed Rules and Regulations/ Directives/ GN 1580 of 23 December 2016: Directive issued in terms of the Act (Government Gazette No. 40515)/ REPEAL OF PREVIOUS GOVERNMENT GAZETTES**

**REPEAL OF PREVIOUS GOVERNMENT GAZETTES**

54. General Notice 574, issued in *Government Gazette* No. 40021 of 27 May 2016, is hereby withdrawn and replaced by the requirements as set out in this notice.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Repealed Rules and Regulations/ Directives/ GN 1580 of 23 December 2016: Directive issued in terms of the Act (Government Gazette No. 40515)/ EFFECTIVE DATE**

**EFFECTIVE DATE**

55. This notice is effective for financial periods beginning on or after 1 April 2016 and is applicable until further notice. A similar notice will not necessarily be issued annually.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Repealed Rules and Regulations/ Directives/ GN 1580 of 23 December 2016: Directive issued in terms of the Act (Government Gazette No. 40515)/ ENQUIRIES**

**ENQUIRIES**

56. Any enquiry related to this notice should be addressed to the following office-

Business executive: Audit Research and Development, Auditor-General of South Africa

Telephone: 012 426 8000

Fax: 012 426 8333

Email: [ARDsupport@agsa.co.za](mailto:ARDsupport@agsa.co.za)

(Signed)

**TK MAKWETU**

**AUDITOR-GENERAL**

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Repealed Rules and Regulations/ Directives/ GN 1580 of 23 December 2016: Directive issued in terms of the Act**

**ANNEXURE A:  
APPLICABILITY OF COMPLIANCE SUBJECT MATTERS TO DIFFERENT CATEGORIES OF AUDITEES**

SUBJECT MATTER	OBJECTIVE	APPLICABLE TO							
		<i>(General applicability rule: compliance audits do not apply to dormant entities)</i>							
		<i>(All references to materiality include both quantitative and qualitative aspects)</i>							
		Departments	Constitutional institutions	Trading entities	Public entities	Parliament & legislatures	Municipalities	Municipal entities	Higher learning institutions
Budgets	Budgets and budgetary processes that promote transparency, accountability and effective financial management of funds in the public sector.	Yes	N/A	Yes	Yes	Yes	Yes	Yes	Yes
Annual financial statements, performance reports and annual reports	Transparency and accountability through reporting on an annual basis on the state of affairs of the institution, its business, its financial results, its performance against predetermined objectives and its financial positions for the year.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Expenditure management	Management of expenditure to ensure that resources are used in an effective, efficient, economical and transparent manner and that all expenditure is necessary, appropriate and paid promptly and is adequately recorded and reported.	Yes	Yes	Yes	Yes - except if total expenditure is not material	Yes	Yes	Yes - except if total expenditure is not material	Yes
	Effective / reasonable measures to prevent unauthorised, irregular as well as fruitless and wasteful expenditure.								
Revenue management	Effective and efficient revenue management that provides for the identification, collection, recording and reconciliation of revenue.	Yes - only departments that generated material revenue other than voted and donor funds	N/A	Yes - only entities that generated material revenue other than voted and donor funds	Yes - only public entities that generated material revenue	N/A	Yes - only municipalities that generated any revenue from municipal services	Yes - only municipal entities that generated any revenue from municipal services	Yes

Asset management	Effective asset management, including the safeguarding and maintenance of assets to eliminate theft, losses, wastage and misuse and a management and accounting information system that accounts for the assets.	N/A	N/A	N/A	Yes - except if it is a small auditee	N/A	Yes	Yes - except if it is a small auditee	Yes
	The disposal of significant assets is properly dealt with in terms of applicable legislation.								
Liability management	Effective liability management, including an accounting information system that accounts for liabilities. The focus is on borrowings (long term and short term), credit cards, guarantees, indemnities and securities.	N/A	N/A	N/A	Yes - except if the entity has no liabilities	N/A	Yes - except if the municipality has no liabilities	Yes - except if the entity has no liabilities	N/A
Strategic planning and performance management	Strategic planning that identifies strategically important outcome-orientated goals and objectives against which the institution's medium-term results can be measured and evaluated. Effective system for performance planning, monitoring, measurement, review, reporting and improvement.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Procurement and contract management	Procurement of goods and services in accordance with a system that is fair, equitable, transparent, competitive and cost effective.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Human resource management	Effective human resource management to ensure that adequate and sufficiently skilled resources are in place.	N/A	N/A	N/A	N/A	N/A	Yes	Yes - unless if it is a small auditee	Yes
	Transfers are								

Transfer of funds	made after ensuring that the entity has the capacity to comply with the agreement and has effective, efficient and transparent systems to manage those funds.	Yes - only departments that transferred funds to other institutions (DoRA or non- DoRA transfers)	N/A	N/A	N/A	Yes	Yes - only municipalities that transferred funds to other institutions	N/A	N/A
Utilisation of conditional grants (DoRA)	Utilisation of grants in accordance with the conditions of the allocation.	Yes - only departments that received / utilised DoRA conditional grants	N/A	N/A	N/A	N/A	Yes - only municipalities that received DoRA conditional grants	N/A	N/A
Consequence management	Allegations of financial misconduct (including possible fraud and improper conduct relating to supply chain management); unauthorised, irregular as well as fruitless and wasteful expenditure; and other transgressions are investigated and appropriate action is taken based on the outcome of the investigation.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Repealed Rules and Regulations/ Directives/ GN 1580 of 23 December 2016: Directive issued in terms of the Act (Government Gazette No. 40515)/ ANNEXURE B: APPLICABILITY OF CRITERIA DEVELOPED FROM THE PERFORMANCE MANAGEMENT AND REPORTING FRAMEWORK TO DIFFERENT CATEGORIES OF AUDITEES**

**ANNEXURE B:  
APPLICABILITY OF CRITERIA DEVELOPED FROM THE PERFORMANCE MANAGEMENT AND REPORTING FRAMEWORK TO DIFFERENT CATEGORIES OF AUDITEES**

The criteria developed from the above framework are applicable to audits in all three spheres of government unless otherwise indicated.

CRITERIA	REFERENCES TO THE PMRF PER TYPE OF ENTITY				
	Departments / constitutional institutions / trading entities	Public entities	Municipalities	Municipal entities	Parliament / provincial legislatures
<i>Consistency: Objectives, performance measures / indicators and targets are consistent between planning and reporting documents</i>					
1. Reported strategic or development objectives are consistent or complete when compared to planned objectives	Section 40 (3) (a) of the PFMA	Section 55 (2) (a) of the PFMA	Section 121 (3) ( f ) of the MFMA	Section 121 (4) (d) of the MFMA	Section 55 (3) (d) of the FMPPLA
	TR 5.2.4	TR 28.2.2	Sections 41 (a) - (c) & 46 of the MSA		
		TR 30.1.3 (g)			

2. Changes to strategic or development objectives are approved	TR 5.1.1	Applicable to schedule 3A & 3C public entities:	Section 25 (2) of the MSA	Section 54 (1) (c) of the MFMA	Section 15 (2) (b) of the FMPPLA
	Chapter 4.1 of the FSAPP	TR 30.1.1			
		Chapter 4.1 of the FSAPP			
		Applicable to schedule 2, 3B & 3D public entities:			
		TR 29.1.1			
		TR 29.2			
3. Reported measures or indicators are consistent or complete when compared to planned measures or indicators	Section 40 (3) (a) of the PFMA	Section 55 (2) (a) of the PFMA	Section 121 (3) ( f ) of the MFMA	Section 121 (4) (d) of the MFMA	Section 55 (3) (d) of the FMPPLA
	TR 5.2.4	TR 28.2.2			
		TR 30.1.3 (g)	Sections 41 (a) - (c) & 46 of the MSA		
4. Changes to measures or indicators are approved	TR 5.1.1	TR 30.1.1	Section 25 (2) of the MSA	Section 54 (1) (c) of the MFMA	Section 15 (2) (b) of the FMPPLA
5. Reported targets are consistent or complete when compared to planned targets	Section 40 (3) (a) of the PFMA	Section 55 (2) (a) of the PFMA	Section 121 (3) ( f ) of the MFMA	Section 121 (4) (d) of the MFMA	Section 55 (3) of the FMPPLA
	TR 5.2.4	TR 28.2.2	Sections 41 (a) - (c) & 46 of the MSA		
		TR 30.1.3 (g)			
6. Changes to targets are approved	TR 5.1.1	TR 30.1.1	Section 25 (2) of the MSA	Section 54 (1) (c) of the MFMA	Section 15 (2) (b) of the FMPPLA

**Measurability: Performance measures / indicators are well defined and verifiable, and targets are specific, measurable and time bound**

1. A performance measure or indicator is well defined when it has a clear definition so that data will be collected consistently and is easy to understand and use	Chapter 3.2 of the FMPPI issued by the NT
2. A performance measure / indicator is verifiable when it is possible to validate or verify the processes and systems that produce the indicator	Chapter 3.2 of the FMPPI issued by the NT
3. A target is specific when the nature and the required level of performance of the target are clearly identifiable	Chapter 3.2 of the FMPPI issued by the NT
4. A target is measurable when the required performance can be measured	Chapter 3.2 of the FMPPI issued by the NT
5. A target is time bound when the	

time frames for the achievement of the target are indicated	Chapter 3.2 of the FMPPI issued by the NT				
<b>Relevance: Performance measures / indicators relate logically and directly to an aspect of the entity's mandate and the realisation of its strategic goals and objectives</b>					
1. The performance measure / indicator and target relate logically and directly to an aspect of the entity's mandate and the realisation of its strategic goals and objectives	Chapters 3.2 and 4 of the FMPPI issued by the NT				
<b>Presentation and disclosure: Performance information in the annual performance report is presented and disclosed in accordance with the requirements contained in legislation, frameworks, circulars and guidance</b>					
1. Reasons for variances between planned and actual performance are disclosed	The NT's annual report guide for the presentation of the annual report	Applicable to schedule 3A & 3C public entities: The NT's annual report guide for the presentation of the annual report	Criteria not applicable	Criteria not applicable	Criteria not applicable
2. Reasons for variances are supported by corroborating source documentation	The NT's annual report guide for the presentation of the annual report Chapter 5 of the FMPPI issued by the NT	Applicable to schedule 3A & 3C public entities: The NT's annual report guide for the presentation of the annual report Chapter 5 of the FMPPI issued by the NT	Criteria not applicable	Criteria not applicable	Criteria not applicable
<b>Reliability: Recording, measuring, collating, preparing and presenting information on actual performance / target achievements that is valid, accurate and complete</b>					
1. Reported performance occurred and pertains to the reporting entity	Section 40 (3) (a) of the PFMA	Section 55 (2) (a) of the PFMA	Section 45 of the MSA	Section 45 of the MSA	Section 55 of the FMPPLA
2. Reported performance is recorded and reported accurately	Chapter 5 of the FMPPI issued by the NT	Chapter 5 of the FMPPI issued by the NT	Chapter 5 of the FMPPI issued by the NT	Chapter 5 of the FMPPI issued by the NT	Chapter 5 of the FMPPI issued by the NT
3. All actual performance is recorded and included in the reported performance information					

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Repealed Rules and Regulations/ Directives/ GN 1580 of 23 December 2016: Directive issued in terms of the Act (Government Gazette No. 40515)/ ANNEXURE C: CRITERIA USED TO EVALUATE INTERNAL CONTROL**

**ANNEXURE C:  
CRITERIA USED TO EVALUATE INTERNAL CONTROL**

**LEADERSHIP**

- . Provide effective leadership based on a culture of honesty, ethical business practices and good governance, protecting and enhancing the best interests of the auditee.
- . Exercise oversight responsibility regarding financial and performance reporting, compliance and related internal controls.
- . Implement effective human resource management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored.



- Establish and communicate policies and procedures to enable and support the understanding and execution of internal control objectives, processes and responsibilities.
- Develop and monitor the implementation of action plans to address internal control deficiencies.
- Establish an information technology (IT) governance framework that supports and enables the business, delivers value and improves performance.

**FINANCIAL AND PERFORMANCE MANAGEMENT**

- Implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.
- Implement controls over daily and monthly processing and reconciling of transactions.
- Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.
- Review and monitor compliance with applicable legislation.
- Design and implement formal controls over IT systems to ensure the reliability of the systems and the availability, accuracy and protection of information.

**GOVERNANCE**

- Implement appropriate risk management activities to ensure that regular risk assessments, including the consideration of IT risks and fraud prevention, are conducted and that a risk strategy to address the risks is developed and monitored.
- Ensure that there is an adequately resourced and functioning internal audit unit that identifies internal control deficiencies and recommends corrective action effectively.
- Ensure that the audit committee promotes accountability and service delivery through evaluating and monitoring responses to risks and overseeing the effectiveness of the internal control environment, including financial and performance reporting and compliance with legislation.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Repealed Rules and Regulations/ Directives/ GN 1580 of 23 December 2016: Directive issued in terms of the Act (Government Gazette No. 40515)/ ANNEXURE D: CONSULTATION WITH THE AUDITOR-GENERAL OF SOUTH AFRICA ON THE APPOINTMENT OR DISCHARGE OF THE REGISTERED AUDITOR IN TERMS OF SECTIONS 25 AND 26 OF THE PUBLIC AUDIT ACT**

**ANNEXURE D:  
CONSULTATION WITH THE AUDITOR-GENERAL OF SOUTH AFRICA ON THE APPOINTMENT OR DISCHARGE OF THE REGISTERED AUDITOR IN TERMS OF SECTIONS 25 AND 26 OF THE PUBLIC AUDIT ACT**

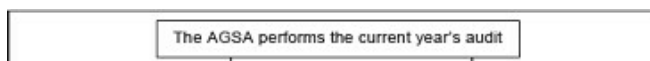
**INSTRUCTIONS FOR COMPLETION**

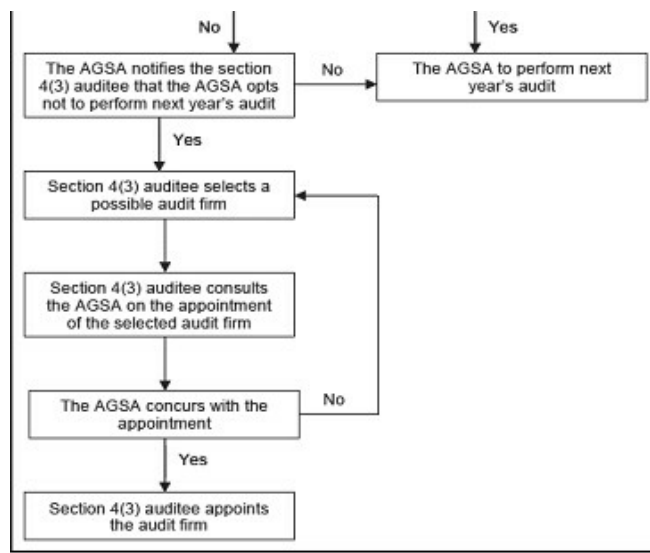
- This checklist should be completed and submitted with supporting documentation to the AGSA business executive responsible for the audit of the controlling department to which the auditee reports.
- The checklist should be accompanied by a copy of the auditee's policy on the appointment of auditors and the allocation of non-audit services to auditors.

**PARTICULARS OF AUDITEE**

<b>Name</b>		
<b>Postal address</b>		
<b>Physical address</b>		
<b>Fax number</b>		
<b>Telephone number</b>		
<b>Email address of chief financial officer</b>		
<b>Accounting authority chairperson</b>	<b>Name</b>	
	<b>Contact details</b>	
<b>Responsible minister (executive authority)</b>	<b>Name</b>	
	<b>Contact details</b>	
<b>Responsible department</b>		
<b>Contact person at department</b>		
<b>Financial year in question</b>		
<b>PFMA schedule (2, 3A, 3B, 3C or 3D)</b>		
<b>Name of holding entity (if applicable)</b>		

**SCHEMATIC ILLUSTRATION OF THE AUDITOR APPOINTMENT PROCESS**





**APPOINTMENT OF NEW AUDITORS**

3. Name of the new audit firm:
4. Contact details of engagement partner responsible for audit:
5. Anticipated date of appointment:
6. Nature of other services to be performed:
7. Details of any prior involvement with the auditee, including the costs:
8. Details of how the quality of the audit firm's work has been assessed, e.g. results of IRBA reviews; as well as confirmation from IRBA that the appointed audit firm is in good standing at IRBA and is registered to practise:
9. Matters that may influence a decision regarding the independence, objectivity or perceived independence of the audit firm:
10. Confirmation from the accounting authority / board that a procurement process was followed and no exceptions were noted:
11. Costs of audit and non-audit services provided by the audit firm during the last three years:
 

<b>Financial year</b>			
<b>Audit fees</b>			
<b>Fees for other services</b>			
<b>Total fees</b>			
<b>Non-audit fees as a percentage of total fees</b>			
<b>Nature of services performed</b>			

**REAPPOINTMENT OF AUDITORS**

12. Name of audit firm to be reappointed:
13. Contact details of engagement partner responsible for the audit:
14. Financial year(s) previously appointed:
15. Provide details of the audit committee's assessment of the effectiveness and efficiency of the performance of the external auditors, including IRBA review results:

16. Provide details of significant disagreements between the external auditors and the accounting authority during the preceding financial year, if any:

*Insert details*

17. Indicate any matter that may influence a decision regarding the independence, objectivity or perceived independence of the auditors:

*Insert details*

18. Name of partner in charge of the audit for the last five years:

Year	Name of partner
1	
2	
3	
4	
5	

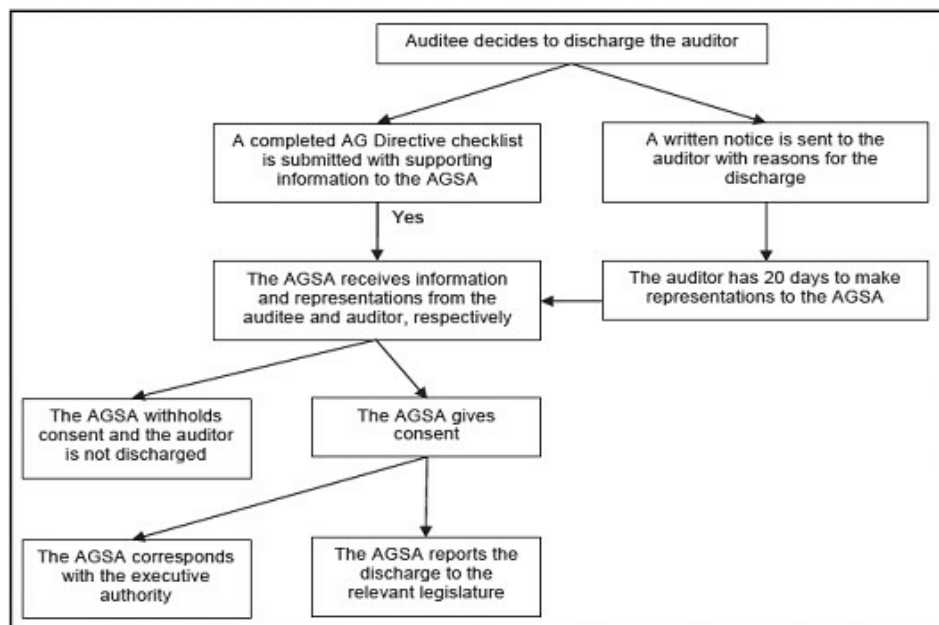
19. Name of senior audit manager in charge of the audit for the last five years:

Year	Name of senior audit manager
1	
2	
3	
4	
5	

20. Costs of audit and non-audit services provided by the audit firm during the last three years:

<b>Financial year</b>			
<b>Audit fees</b>			
<b>Fees for other services</b>			
<b>Total fees</b>			
<b>Non-audit fees as a percentage of total fees</b>			
<b>Nature of services performed</b>			

#### **SCHEMATIC ILLUSTRATION OF THE AUDITOR DISCHARGE PROCESS**



#### **DISCHARGE OF AUDITOR**

21. Name of the audit firm discharged:

*Insert details*

22. Number of years engaged on the audit to date:

*Insert details*

23. Costs of audit and non-audit services provided by the audit firm during the last three years:

<b>Financial year</b>			
-----------------------	--	--	--

<b>Audit fees</b>			
<b>Fees for other services</b>			
<b>Total fees</b>			
<b>Non-audit fees as a percentage of total fees</b>			
<b>Nature of services performed</b>			

24. Provide the notice to the auditor, giving the reasons for the impending discharge.
25. Provide written concurrence by the executive authority for the planned discharge.

Signature: \_\_\_\_\_

**Completed by:** Name: \_\_\_\_\_

Designation: \_\_\_\_\_

Date: \_\_\_\_\_

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Repealed Rules and Regulations/ Directives/ GN 1580 of 23 December 2016: Directive issued in terms of the Act (Government Gazette No. 40515)/ ANNEXURE E: MONITORING CHECKLIST FOR AUDITS NOT CONDUCTED BY THE AUDITOR-GENERAL OF SOUTH AFRICA**

**ANNEXURE E:  
MONITORING CHECKLIST FOR AUDITS NOT CONDUCTED BY THE AUDITOR-GENERAL OF SOUTH AFRICA**

**INSTRUCTIONS**

1. This checklist should be completed by the appointed audit firm for each audit it has conducted and should be submitted to the contact person at the AGSA business unit responsible for the audit of the controlling department to which the auditee reports within five months after the financial year-end, i.e. 31 August.

**INFORMATION REQUIRED**

<b>Name of auditee</b>	
<b>Controlling department</b>	
<b>Type of auditee (schedule number)</b>	
<b>Holding company (if applicable)</b>	
<b>Subsidiaries (if applicable)</b>	
<b>Audit business unit</b>	
<b>Business executive</b>	
<b>Engagement firm</b>	
<b>Engagement firm's address</b>	
<b>Engagement firm's contact details</b>	
<b>Engagement partner</b>	
<b>Engagement partner's contact details</b>	

<b>No.</b>	<b>Requirements</b>	<b>Complied Yes / no* / not applicable</b>	<b>Remarks / comments</b>
<b>Public Audit Act, 2004 (Act No. 25 of 2004) (PAA)</b>			
1.	All the requirements of the PAA and this general notice were complied with		
2.	The auditor's report to the accounting authority was submitted within the time frame prescribed by the PFMA		
3.	A copy of the auditor's report, together with a copy of the financial statements, was submitted to the AGSA by 31 August		
4.	Three copies of the annual report were submitted to the AGSA by 31 August		
<b>Auditor's report</b>			
5.	The auditor's report was addressed to the appropriate addressee as per the		

	AGSA guidance		
6.	The auditor's report distinguished between the supplementary information that has not been audited and the financial statements that have been audited by indicating the page numbers relating to the financial statements		
7.	The auditor's report correctly referred to the accounting authority as the party responsible for the preparation of the financial statements or consolidated financial statements		
8.	The auditor's report made reference to the correct financial reporting framework for the type of auditee		
9.	The auditor's report complied with the AG Directive and the <i>R3: Reporting guide</i> of the AGSA on the following matters to be included in the auditor's report: <ul style="list-style-type: none"> <li>. Findings on performance against predetermined objectives</li> <li>. Findings on compliance with applicable legislation</li> <li>. A narrative discussion on the internal control deficiencies identified during the audit as they relate to the qualifications on the financial statements, as well as the findings on the reported information on performance against predetermined objectives and findings on compliance with applicable legislation</li> <li>. Information on other engagements conducted by various parties that have or could potentially have an impact on the matters reported on the (type of auditee)'s financial-, performance- and compliance-related matters</li> </ul>		
10.	Separate financial statements were prepared and audited for all subsidiaries		
* Where a 'no' answer is provided, comments must be included below.			

11. General comments by the appointed auditor:

*Insert details*

**Completed by engagement partner:** Signature: \_\_\_\_\_  
Name: \_\_\_\_\_  
Date: \_\_\_\_\_

**CONCLUSION** (to be completed by the audit business unit)

No.	Requirements	Complied Yes / no*	Remarks / comments
1.	Did the auditors and the auditee satisfy the requirements of sections 25 to 27 of the PAA, relating to the following:		
	. Appointment of auditors		
	. Discharge of auditors		
2.	Has the engagement firm satisfied the reporting requirements of the following:		
	. The PAA		
	. This general notice		
	. The AGSA's <i>R3: Reporting guide</i>		

\* Where a 'no' answer is provided, comments must be included below.

3. General comments:

*Insert details*

4. Recommended further action in terms of this notice:

*Insert details*

Evaluated by  
business executive /  
senior manager:

Signature:

Name:

Date:

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Repealed Rules and Regulations/ Directives/ GN 1580 of 23 December 2016: Directive issued in terms of the Act (Government Gazette No. 40515)/ ANNEXURE F: RELEVANT EXTRACTS FROM THE PUBLIC AUDIT ACT**

## **ANNEXURE F: RELEVANT EXTRACTS FROM THE PUBLIC AUDIT ACT**

### **2. Objects of this act**

The objects of this Act are-

- (b) to provide for the auditing of institutions and accounting entities in the public sector;

### **4. Constitutional functions**

- (1) The Auditor-General must audit and report on the accounts, financial statements and financial management of-
  - (a) all national and provincial state departments and administrations;
  - (b) all constitutional institutions;
  - (c) the administration of Parliament and of each provincial legislature;
  - (d) all municipalities;
  - (e) all municipal entities; and
  - (f) any other institution or accounting entity required by other national or by provincial legislation to be audited by the Auditor-General.
- (2) The Auditor-General must audit and report on the consolidated financial statements of-
  - (a) the national government as required by section 8 of the PFMA;
  - (b) all provincial governments as required by section 19 of the PFMA; and
  - (c) a parent municipality and all municipal entities under its sole or effective control as required by section 122 (2) of the MFMA.
- (3) The Auditor-General may audit and report on the accounts, financial statements and financial management of-
  - (a) any public entity listed in the PFMA; and
  - (b) any other institution ... which is-
    - (i) funded from the National Revenue Fund or a Provincial Revenue Fund or by a municipality; or
    - (ii) authorised in terms of any legislation to receive money for a public purpose.

### **5. Other functions**

- (1) The Auditor-General may, at a fee, and without compromising the role of the Auditor-General as an independent auditor, provide-
  - (a) audit-related services to an auditee ... or other body, which is commonly performed by a supreme audit institution on condition that-
    - (i) no services may be provided in respect of any matter that may subsequently have to be audited by the Auditor-General;
    - (ii) such service will not directly result in the formulation of policy; and
    - (iii) there must be full and proper disclosure of (the categories of) such services (in the report annually submitted by the Auditor-General to the National Assembly).
  - (d) carry out an appropriate investigation or special audit of any institution ..., if the Auditor-General considers it to be in the public interest or upon the receipt of a complaint or request.
- (3) The Auditor-General may, in the public interest, report on any matter within the functions of the Auditor-General and submit such a report to the relevant legislature and to any other organ of state with a direct interest in the matter.

### **11. Application of this part**

This part applies to all audits of auditees which the Auditor-General-

- (a) must perform in terms of section 4 (1) or (2); or
- (b) opts to perform in terms of section 4 (3).

### **13. Standards for audits**

- (1) The Auditor-General, after consulting the oversight mechanism, must determine-
  - (a) the standards to be applied in performing audits ...
  - (b) the nature and scope of such audits; and
  - (c) procedures for the handling of complaints when performing such audits.

- (3) The Auditor-General may-
  - (a) make different determinations on the matters mentioned in subsection (1) for different categories of audits based on recognised best practice; or
  - (b) issue specific directives on those matters in any specific case.

#### **14. Submission of financial statements**

- (2) Financial statements submitted by an auditee which is not subject to the PFMA or the MFMA must be submitted within the period, be in a format, contain the information and otherwise comply with any requirements determined-
  - (a) by any legislation applicable to that auditee; or
  - (b) in the absence of such legislation, by the Auditor-General.

#### **15. General auditing powers**

- (2) The Auditor-General or an authorised auditor may for the purpose of an audit-
  - (b) direct a person to produce or to deliver at a specified place and time and in a specified format-
    - (i) any such document, book or written or electronic record or information .

#### **20. Audit reports**

- (2) An audit report must reflect such opinions and statements as may be required by any legislation applicable to the auditee which is the subject of the audit, but must reflect at least an opinion or conclusion on-
  - (a) whether the annual financial statements of the auditee fairly present, in all material respects, the financial position at a specific date and results of its operations and cash flow for the period which ended on that date in accordance with the applicable financial framework and legislation;
  - (b) the auditee's compliance with any applicable legislation relating to financial matters, financial management and other related matters; and
  - (c) the reported information relating to the performance of the auditee against predetermined objectives.
- (3) In addition, the Auditor-General may report on whether the auditee's resources were procured economically and utilised efficiently and effectively.

#### **25. Appointment of auditors**

- (1) If the Auditor-General has opted not to perform the audit of an auditee ...
  - (a) the Auditor-General must give notice of his or her decision to that auditee before the start of the auditee's financial year for which the appointment is to be made; and
  - (b) the auditee must appoint as its auditor a person registered in terms of the Public Accountants' and Auditors' Act as an accountant and auditor and engaged in public practice as such.
- (2) Before appointing an auditor in terms of subsection (1), the auditee must give notice of the suggested appointment to the Auditor-General, including information on the extent to which the auditor would provide other services than audit services during the duration of the appointment, and any other information required by the Auditor-General.
- (3) If the Auditor-General, within 14 days of receiving a notice in terms of subsection (2) or such longer period as may be agreed to, rejects the auditee's appointment, the auditee must in terms of that subsection recommence the process to appoint another person as its auditor.
- (4) Appointments in terms of this section may not be for a longer period than one financial year of the auditee.

#### **26. Discharge of auditors**

- (1) An auditee ... may discharge an auditor... before the expiry of that auditor's term of appointment, but only with the consent of the Auditor-General and, if that auditee has an executive authority within the meaning of the PFMA, also of the relevant executive authority.
- (2) If such an auditee intends discharging an auditor in terms of subsection (1), it must-
  - (a) give the auditor notice, in writing, setting out the reasons for the discharge; and
  - (b) give the auditor an opportunity to make representations, in writing, to the Auditor-General within 20 days of receipt of the notice.
- (3) The Auditor-General must report any discharge of an auditor in terms of subsection (1) to the relevant legislature.

#### **27. Duties and powers of auditors**

- (1) An auditor... must perform the functions of office as auditor in terms of section 20 of the Public Accountants' and Auditors' Act.
- (2) In performing those functions as the auditor of an auditee, the auditor has the powers assigned to the Auditor-General in terms of section 15 (of the PAA).
- (3) An auditor may consult the Auditor-General or a person designated by the Auditor-General concerning any matter relating to the auditing of the auditee concerned.
- (4) An auditor-
  - (a) must be given notice of every meeting of the auditee's audit committee, if the auditee has such a committee; and
  - (b) may attend, and participate in, any meeting of such an audit committee at the expense of the auditee.
- (5) The Auditor-General or a person designated by the Auditor-General may request information regarding the audit

from an auditor ...

## 28. Audit reports and other reports

- (1) The report of an auditor . must reflect such opinions and statements as may be required by any legislation applicable to the auditee which is the subject of the audit, but must reflect at least an opinion or conclusion on-
  - (a) whether the financial statements of the auditee fairly present, in all material respects, the financial position at a specific date and results of its operations and cash flow for the period which ended on that date in accordance with the applicable financial framework and legislation;
  - (b) the auditee's compliance with any applicable legislation relating to financial matters, financial management and other related matters; and
  - (c) the reported information relating to the performance of the auditee against predetermined objectives.
- (3) The auditor must submit copies of the audit report referred to in subsection (1)-
  - (a) to the auditee;
  - (b) if the auditee has an executive authority within the meaning of the PFMA, to that executive authority for submission to the relevant legislature;
  - (c) to the Auditor-General; and
  - (d) to the National Treasury or the relevant provincial treasury, as may be appropriate.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Repealed Rules and Regulations/ Directives/ GN 1401 of 15 December 2017: Directive issued in terms of the Act (Government Gazette No. 41321)**

**GN 1401 of 15 December 2017: Directive issued in terms of the Act (Government Gazette No. 41321)**

**Withdrawn by [GN 540](#) published in *Government Gazette 43326* of 15 May 2020**

DEPARTMENT OF AUDITOR-GENERAL OF SOUTH AFRICA

Under the powers vested in me by [section 13 \(3\) \(b\)](#) of the Public Audit Act, 2004 (Act [No. 25 of 2004](#)) (hereafter referred to as the PAA), I, Thembekile Kimi Makwetu, Auditor-General of the Republic of South Africa (hereafter referred to as the AGSA), hereby issue the following directive.

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**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Repealed Rules and Regulations/ Directives/ GN 1401 of 15 December 2017: Directive issued in terms of the Act (Government Gazette No. 41321)/ [AUDIT FUNCTIONS PERFORMED IN TERMS OF THE PAA](#)**



## AUDIT FUNCTIONS PERFORMED IN TERMS OF THE PAA

### ANNUAL AUDIT

1. Financial and performance management and compliance with legislation are audited as part of the annual audit process. The auditor's report reflects an opinion or material findings on the following-
  - . The financial statements or similar financial reporting.
  - . Reported performance information if applicable.
  - . Compliance with specific matters in key legislation
  - . Internal control deficiencies that resulted in-
    - . qualifications of the opinion on the financial statements
    - . findings on the reported information on performance against predetermined objectives
    - . findings on compliance with legislation.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Repealed Rules and Regulations/ Directives/ GN 1401 of 15 December 2017: Directive issued in terms of the Act (Government Gazette No. 41321)/ AUDITING STANDARDS AS WELL AS THE NATURE AND SCOPE OF AUDITS - SECTION 13 (1) (a) AND (b) OF THE PAA**

### AUDITING STANDARDS AS WELL AS THE NATURE AND SCOPE OF AUDITS - SECTION 13 (1) (a) AND (b) OF THE PAA

#### Auditing standards

2. The International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements issued by the International Auditing and Assurance Standards Board (IAASB)<sup>1</sup> of the International Federation of Accountants (IFAC), as well as the *Code of ethics for professional accountants* issued by IFAC's International Ethics Standards Board for Accountants (IESBA)<sup>2</sup> are applied in the audits.
3. In addition, relevant principles contained in the International Standards of Supreme Audit Institutions (ISSAIs) published by the International Organization of Supreme Audit Institutions (INTOSAI)<sup>3</sup> are applied.

#### Audit of financial statements or similar financial reporting - section 20 (2) (a) of the PAA

4. In terms of section 20 (2) (a) of the PAA, the auditor's report must reflect whether the annual financial statements fairly present, in all material respects, the financial position and results of operations and cash flow in accordance with the applicable financial reporting framework and legislation. This assurance is provided in the auditor's report.
5. The audit is performed in accordance with the International Standards on Auditing (ISAs).

#### Audit of compliance with applicable legislation relating to financial matters, financial management and other related matters - sections 20 (2) (b) and 28 (1) (b) of the PAA

6. In terms of sections 20 (2) (b) and 28 (1) (b) of the PAA, the auditor's report must reflect an opinion or conclusion on the auditee's compliance with any applicable legislation relating to financial matters, financial management and other related matters. Currently, the auditor's report reflects material findings on noncompliance with specific matters in key legislation but does not provide assurance by way of an opinion or conclusion.
7. The audit of compliance with legislation is performed in accordance with principles in the applicable ISSAIs and the International Standard on Assurance Engagements (ISAE) 3000, *Assurance engagements other than audits or reviews of historical financial information*.
8. The determination of compliance subject matters to be included in the scope of the compliance audit is undertaken on an annual basis as follows-
  - . Predetermined at AGSA level for each category of auditee.
  - . Further refinement at engagement level taking into account the specific circumstances of the auditee, including the nature and extent of its business and operations, and the impact of specific actions, transactions or events.
9. The AGSA applies the following scoping criteria in selecting the subject matters for the audit of compliance-
  - . Specific areas of relevance to intended users; matters of significant national, community or public interest - as identified through consultation with internal and external parties.
  - . Government priorities in all three spheres of government - as communicated in the state of the nation address, the national budget speech, the Medium Term Strategic Framework or other similar documents.
  - . Results of previous assurance engagements (i.e. past experience) and how this may affect intended users' expectations about compliance, including improvement.
  - . Enhancement of effective legislative oversight; enhancement of transparency, accountability and good governance; focus on continuous improvement and public confidence.
10. The auditor's report reflects material findings on compliance with relevant legislation in respect of the following subject matters selected in accordance with the criteria in paragraph 9-

- . Strategic planning and performance management
  - . Financial statements, performance reports and annual reports
  - . Procurement and contract management - including procurement and contract management functions performed on behalf of another organ of state (e.g. as procurement or implementing agents)
  - . Human resource management and compensation
  - . Expenditure management
  - . Utilisation of conditional grants
  - . Revenue management
  - . Asset management
  - . Liability management
  - . Consequence management
  - . Governance and oversight
11. [Annexure A](#) contains details on the applicability of the subject matters to the different categories of auditees. Where there is nothing to be reported for any of the applicable subject matters, a statement to this effect will be included in the auditor's report.
12. The criteria used to evaluate the above subject matters are derived from the applicable legislation, with specific focus on the following-
- . Public Finance Management Act, 1999 (Act [No. 1 of 1999](#)) (PFMA) and regulations and instructions issued in terms of the act
  - . Municipal Finance Management Act, 2003 (Act [No. 56 of 2003](#)) (MFMA) and regulations issued in terms of the act
  - . Financial Management of Parliament and Provincial Legislatures Act, 2009 (Act [No. 10 of 2009](#)) (FMPPLA) and regulations issued in terms of the act
  - . Division of Revenue Act (DoRA)
  - . Appropriation Act
  - . Municipal Structures Act, 1998 (Act [No. 117 of 1998](#)) and regulations and instructions issued in terms of the act
  - . Municipal Systems Act, 2000 (Act [No. 32 of 2000](#)) (MSA) and regulations and instructions issued in terms of the act
  - . Municipal Property Rates Act, 2004 (Act [No. 6 of 2004](#)) and regulations and instructions issued in terms of the act
  - . Companies Act, 2008 (Act [No. 71 of 2008](#)) and regulations and instructions issued in terms of the act
  - . Public Service Act, 1994 (Act [No. 103 of 1994](#)) and regulations issued in terms of the act
  - . Preferential Procurement Policy Framework Act, 2000 (Act [No. 5 of 2000](#)) and regulations and instructions issued in terms of the act
  - . Construction Industry Development Board Act, 2000 (Act [No. 38 of 2000](#)) and regulations issued in terms of the act
  - . State Information Technology Agency Act, 1998 (Act [No. 88 of 1998](#)) and regulations issued in terms of the act
  - . Prevention and Combating of Corrupt Activities Act, 2004 (Act [No. 12 of 2004](#))
  - . Auditee-specific enabling legislation

**Audit of reported information on performance against predetermined objectives - sections 20 (2) (c) and 28 (1) (c) of the PAA**

13. In terms of sections 20 (2) (c) and 28 (1) (c) of the PAA, the auditor's report must reflect an opinion or conclusion on the auditee's reported information on performance against predetermined objectives. Assurance in the form of an audit opinion or conclusion on the usefulness and reliability of the reported information on performance against predetermined objectives is currently included in the report to management, with material findings being reported in the auditor's report.
14. The level of assurance provided may be reasonable or limited as predetermined by the AGSA based on the following-
- . The importance of the mandate of the auditee
  - . The size and nature of the auditee's business
15. Where the entity is not required to report of its performance or where it has nothing to report in the case of a dormant entity, a statement to this effect will be included in the auditor's report.
16. The audit of reported information on performance against predetermined objectives is performed in accordance with ISAE 3000 and the criteria developed from the Performance Management and Reporting Framework (PMRF), consisting of the following-
- . Legislation applicable to performance planning, management and reporting, which includes the following-
    - . PFMA
    - . Treasury Regulations (TR), 2005, issued in terms of the PFMA

- . National Treasury (NT) Practice Note 4 of 2009/10
  - . Public Service Act, 1994 (PSA)
  - . Public Service Regulations, 2016, issued in terms of the PSA
  - . MFMA
  - . Municipal Systems Act, 2000 (MSA)
  - . Regulations for Planning and Performance Management, 2001, issued in terms of the MSA
  - . Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to Municipal Managers, 2006, issued in terms of the MSA
  - . FMPPLA
  - . Regulations for reporting by public higher education institutions, 2014, issued in terms of the Higher Education Act, 1997 (applicable to universities only).
  - . Framework for the Managing of Programme Performance Information (FMPPPI), issued by the NT. This framework is applicable to all spheres of government.
  - . Framework for Strategic Plans and Annual Performance Plans (FSAPP), issued by the NT. This framework is applicable to all national and provincial departments, constitutional institutions and those public entities listed in parts A and C of schedule 3 of the PFMA.
  - . Circulars and guidance issued by the NT, Department of Public Service and Administration (DPSA) and supported by the Department of Planning, Monitoring and Evaluation (DPME) regarding the planning, management, monitoring and reporting of performance against predetermined objectives.
17. The criteria applicable to the different categories of auditees, as derived from the PMRF, are detailed in [annexure B](#). Material findings on the completeness of planned performance information and overall presentation of reported information will only be included in the management report and not in the auditor's report.
18. The AGSA applies the following scoping criteria in selecting the subject matters (programmes/objectives/development priorities) for the audit-
- . Qualitative and quantitative considerations such as the following considered individually and in combination:
    - . Subject matters that are a requirement of a law, regulation or sector determination.
    - . Subject matters that relate to the primary functions or purposes of the entity, i.e. its reason for being.
    - . Subject matters that could be of significant national, community or public interest.
    - . Subject matters that relate to outputs of significant importance to the public, such as those with an impact on public health, safety as well as social, economic or environmental well-being.
    - . Any individual subject matter with a budgeted or actual expenditure or revenue amount constituting 30% or more of the total budgeted or actual expenditure or revenue amount.

**Internal control deficiencies, as indicated by the reference to financial management in section 4 (1) and (3) of the PAA**

19. In terms of section 4 (1) and (3) of the PAA, financial management must be audited and reported on. Deficiencies in internal control that resulted in the qualification of the opinion on the financial statements and in material findings on the reported performance information and compliance with legislation are included in the auditor's report.
20. The criteria used to evaluate internal control are set out in [annexure C](#).

**Focus areas - section 13 (1) (b) of the PAA**

21. Additional specific audit focus areas are identified based on an annual risk assessment. Guidance on the scoping of the focus areas is provided annually in a technical update. Significant findings arising from the audits are included in the reports to management and in the AGSA's general reports.

**Discretionary engagements - section 5 (1) (a) and (d) of the PAA**

22. The AGSA may, at its discretion, perform audit-related services and special audits, including performance audits, investigations and other defined types of engagements. In addition to the International Standard on Quality Control (ISQC) 1, *Quality control for firms that perform audits and reviews of financial statements, and other assurance and related services engagements*, the following standards guide these audits-
- . Performance audits
 

These audits are conducted in accordance with ISSAI 300, *Fundamental principles of performance auditing* and the *Performance audit manual* developed by the AGSA.
  - . Investigations
 

Investigations are conducted in accordance with *Standards and guidelines: Investigations* developed by the AGSA.
  - . Other defined engagements
 

These audits are conducted in accordance with ISA 805, *Audits of single financial statements and specific elements, accounts or items of a financial statement*, ISAE 3000, *Assurance engagements other than audits or reviews of financial information* or International Standard on Related Services (ISRS) 4400, *Engagements to perform agreed-upon*

procedures regarding financial information, as appropriate.

### **Complaints against the AGSA - section 13 (1) (c) of the PAA**

23. The AGSA's complaints mechanism in terms of section 13 (1) (c) of the PAA accommodates complaints pertaining to the following-
- . The exercising of powers, the performance of duties and the administration of the AGSA pertaining to the performance of audits and any other functions in terms of section 11 of the PAA.
  - . Work performed during an audit by the AGSA, authorised auditors and other personnel where it is alleged that such work does not meet professional standards and regulatory and legal requirements.
  - . Complaints of non-compliance by the AGSA, authorised auditors and other personnel with the AGSA's internal system of quality control.
  - . Complaints pertaining to the auditor-general as a person.
24. Complaints against the AGSA should be addressed in writing to the:
- Complaints manager, Auditor-General of South Africa
- Physical address: 300 Middel Street, New Muckleneuk, Pretoria
- Postal address: PO Box 446, Pretoria, 0001
- Email: [ethics@agsa.co.za](mailto:ethics@agsa.co.za)

### **Footnotes**

- 1 <http://www.ifac.org/IAASB>
- 2 <https://www.ifac.org/ethics>
- 3 (Editorial Note: Numbering as per original *Government Gazette*.)

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Repealed Rules and Regulations/ Directives/ GN 1401 of 15 December 2017: Directive issued in terms of the Act (Government Gazette No. 41321)/ AUDITS OF PUBLIC ENTITIES AND OTHER INSTITUTIONS NOT PERFORMED BY THE AGSA - SECTION 4 (3) OF THE PAA**

### **AUDITS OF PUBLIC ENTITIES AND OTHER INSTITUTIONS NOT PERFORMED BY THE AGSA - SECTION 4 (3) OF THE PAA**

#### **Audits that the AGSA has opted not to perform - section 25 (1) (a) of the PAA**

25. In terms of section 4 (3) (a) and (b) of the PAA, the AGSA may audit and report on the accounts, financial statements and financial management of any public entity listed in the PFMA and any other institution not mentioned in section 4 (1) of the PAA and which is-
- . funded from the national revenue fund or a provincial revenue fund or by a municipality, or
  - . authorised in terms of any legislation to receive money for a public purpose.

26. In terms of section 25 (1) (a) of the PAA, the AGSA opts not to perform the audits of any auditees within the ambit of section 4 (3) of the PAA, which are not already being audited by the AGSA for the 2018-19 financial year, unless the auditee is advised otherwise before the start of that financial year.

#### **Appointment of registered auditors - section 25 (1) (b), (2), (3) and (4) of the PAA**

27. An auditee should proceed to appoint an audit firm registered with the Independent Regulatory Board for Auditors (IRBA) as stipulated by section 25 (1) (b), read with section 25 (4), of the PAA, if not advised before the start of the financial year that the AGSA will perform the audit.
28. The auditee may not appoint alternative auditors if the AGSA has opted to perform the audit or if auditee-specific legislation prescribes that the audit should be conducted by the AGSA.
29. Before appointing the auditor, the auditee must, in terms of section 25 (2) of the PAA, notify the AGSA via email to [section4@agsa.co.za](mailto:section4@agsa.co.za) of the suggested appointment in order to obtain concurrence of the AGSA with the appointment. In this regard, part 1 of the document entitled *Consultation with the Auditor-General of South Africa on the appointment or discharge of the registered auditor*, attached as [annexure E](#), must be completed and submitted together with the required supporting documentation. The AGSA may consult with the responsible executive authority on the appointment of the audit firm. Should the auditee not comply with this requirement on the appointment of auditors the matter will be reported to the executive authority.
30. If the AGSA, within 14 days of receiving a notice by the auditee of the suggested appointment of an auditor, or such longer period as may be agreed to, rejects the auditee's appointment, the auditee must in terms of section 25 (3) of the PAA recommence the process to appoint another person as its auditor.
31. If an audit firm is contracted by the auditee for a period longer than one financial year, the appointment must be reaffirmed with the AGSA for each financial year in terms of section 25 (4) of the PAA by submission of [Part 2 of annexure E](#) to [section4@agsa.co.za](mailto:section4@agsa.co.za).

#### **Discharge of registered auditors - section 26 of the PAA**

32. In terms of section 26 (1) of the PAA, an auditee may discharge an auditor before the term of appointment expires with

the consent of the AGSA and the relevant executive authority, where applicable.

33. Before discharging the auditor, the auditee must provide the auditor with-
  - . a written notice setting out the reasons for the discharge
  - . an opportunity to make written representations to the AGSA within 20 days of receipt of the notice.
34. The auditee must at the same time notify the AGSA of its intention to discharge the appointed auditor by completing part 3 of the document entitled *Consultation with the Auditor-General of South Africa on the appointment or discharge of the registered auditor*, attached as [annexure E](#), and submit it via email to section4@agsa.co.za.
35. The AGSA will consider the document and communicate its consent or otherwise to the auditee. The AGSA may consult with the relevant executive authority on this matter.
36. The AGSA will report any discharge of an audit firm to the relevant legislature.

#### **Responsibilities of registered auditors - part 2 of chapter 3 of the PAA**

37. When auditing in the public sector, the auditor must do so in accordance with the requirements, duties and responsibilities as legislated and assigned to him/her in part 2 of chapter 3 of the PAA. The auditor must take cognisance of the content of the PAA and must adhere to the following requirements when auditing auditees where the AGSA has opted not to perform the audit-
  - . Appointment of auditors - section 25 of the PAA
  - . Discharge of auditors - section 26 of the PAA
  - . Duties and powers of auditors - section 27 of the PAA
  - . The format and content of the auditor's report, as set out in the AGSA's *Reporting guide*, Auditor's report template, and any other guidance that may be published by the AGSA from time to time concerning the conducting of audits in the public sector-section 28 (1) and (2) of the PAA
  - . Submission of the auditor's report to the AGSA - section 28 (3) (c) of the PAA
  - . The requirements of this notice, as applicable
38. To assist auditors in conducting audits in the public sector, they should consider the following documents made available by IRBA that provide a perspective on auditing in the public sector-
  - . *A guide for registered auditors: Auditing in the public sector*
  - . *Guide for registered auditors: Guidance on performing audits on behalf of the AGSA*
  - . *Guide for registered auditors: Guidance on performing audits where the AGSA has opted not to perform the audit*
  - . South African Auditing Practice Statement (SAAPS) 2, *Financial reporting frameworks and the auditor's report*
  - . SAAPS 3, *Illustrative reports*
39. The AGSA makes available all information on the AGSA audit methodology to audit firms on the AGSA's website<sup>4</sup>.
40. The AGSA monitors compliance with the provisions of the PAA and this notice concerning the performance of an audit in terms of section 25 (1) (b) of the PAA. In this regard, the appointed auditor must complete the document entitled *Monitoring checklist for audits not conducted by the AGSA*, attached as [annexure D](#).

#### **Request for Information - sections 27 (5) and 28 (3) (c) of the PAA**

41. The AGSA may request information regarding the audit from an auditor appointed in terms of section 25 (1) (b) of the PAA.
42. The AGSA interacts proactively with executive authorities and oversight bodies, such as the parliamentary portfolio and accounts committees. The aim of these engagements is to promote and encourage clean audit outcomes and enhance effective public governance.
43. The audit firm may be invited to attend such meetings. In terms of section 27 (5) of the PAA, the AGSA may further request the audit firm to submit any information regarding the audit relevant to such meetings, including the auditor's communications with those charged with governance. The invitation to meetings and/or request for information will be communicated by the contact person at the AGSA business unit responsible for the audit of the controlling department to which the auditee reports.
44. Due to the role of the AGSA in establishing the duties and powers of appointed auditors in the public sector, the AGSA may, in addition to the above, request to attend meetings with those charged with governance of the auditee.
45. In terms of the requirements of section 28 (3) (c) of the PAA, read with section 55 (1) (d) of the PFMA, and in order to facilitate analysis in the AGSA's general reports, the audit firm must submit, either in hard copy or electronically, the following as soon as the annual report of the auditee has been tabled but not later than five months after the financial year-end-
  - . Three copies of the auditee's annual report that contain the auditor's report and audited financial statements of the auditee
  - . The completed monitoring checklist ([annexure D](#)).
46. The information should be addressed to Section 4 (3), 300 Middel Street Brooklyn, Pretoria, 0001, or be submitted electronically to section4@agsa.co.za.

#### **Complaints against registered auditors**

47. Should a registered auditor appointed in terms of section 25 (1) (b) of the PAA be found to be in contravention of the requirements in this notice or any provision of the PAA, the Auditing Profession Act, 2005 (Act No. 26 of 2005) (APA) or any act with which it is his/her duty to comply in his/her capacity as a registered auditor, the AGSA may lodge a complaint of improper conduct against such auditor with IRBA.
48. In addition, a complaint of improper conduct may be lodged with IRBA against a registered auditor appointed in terms of section 25 (1) (b) of the PAA if it comes to the attention of the AGSA that the auditor has conducted himself/herself in a manner that is improper, discreditable, unprofessional, dishonourable or unworthy or which brings the accounting profession into disrepute.

#### **Footnotes**

- 4 <http://www.agsa.co.za>

### **National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Repealed Rules and Regulations/ Directives/ GN 1401 of 15 December 2017: Directive issued in terms of the Act (Government Gazette No. 41321)/ AUDITEES FOR WHICH LEGISLATION IS NOT PRESCRIPTIVE IN RESPECT OF THE FINANCIAL STATEMENTS - SECTION 14 (2) (b) OF THE PAA**

#### **AUDITEES FOR WHICH LEGISLATION IS NOT PRESCRIPTIVE IN RESPECT OF THE FINANCIAL STATEMENTS - SECTION 14 (2) (b) OF THE PAA**

49. The financial statements of an auditee, as defined in section 1 (1) of the PAA, that are not subject to the PFMA, the MFMA or any other legislation that is prescriptive in respect of the financial statements, must-
- be prepared in accordance with the Generally Recognised Accounting Practice (GRAP) reporting framework issued by the Accounting Standards Board (ASB)<sup>5</sup>
  - comply with the PFMA requirements applicable to entities as they pertain to the information to be contained in the financial statements, as well as the period within which the financial statements are to be submitted for auditing.
50. The above requirement regarding the application of the GRAP reporting framework is not applicable where the auditee is not required to prepare full financial statements comprising a statement of financial position, a statement of financial performance, a statement of changes in net assets, a cash flow statement and notes, including a summary of significant accounting policies and other explanatory notes.
51. Where an entity is not listed in the PFMA, even though they appear to comply with the criteria of a public entity, they should comply with paragraph 49.

#### **Footnotes**

- 5 <http://www.asb.co.za>

### **National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Repealed Rules and Regulations/ Directives/ GN 1401 of 15 December 2017: Directive issued in terms of the Act (Government Gazette No. 41321)/ TIMING AND SUBMISSION OF INFORMATION FOR AUDIT PURPOSES - AND CONFIDENTIALITY OF INFORMATION - SECTION 15 (2) (b) and 50 OF THE PAA**

#### **TIMING AND SUBMISSION OF INFORMATION FOR AUDIT PURPOSES - AND CONFIDENTIALITY OF INFORMATION - SECTION 15 (2) (b) and 50 OF THE PAA**

52. In compliance with applicable legislated submission, auditing and tabling deadlines in the PFMA and the MFMA, as well as to allow adequate time for conducting the audit in accordance with the relevant auditing standards, auditees must adhere to the following-
- The annual performance reports must be submitted not later than the legislated submission date for the financial statements.
  - The trial balance and general ledger that agree with the financial statements, together with the supporting asset register, inventory register and subsidiary ledgers for receivables and payables, must be submitted together with the financial statements. All information in support of disclosures in the financial statements not included in the general and subsidiary ledgers must also be submitted concurrently with the financial statements.
  - The strategic development plan and all other documentation and information in support of the annual performance report must be submitted at the latest with the annual performance report.
  - All documentation and information in support of the financial statements, reported performance against predetermined objectives and compliance with legislation must be available on request and be retrievable within a reasonable time, as agreed per the engagement letter. If this information is not provided in the time agreed, it will be regarded as a limitation on the audit, which could result in a modification of the audit opinion.
  - As agreed in the audit engagement letter, the other financial and non-financial information to be included in the annual report should be made available on or before the date contained therein. If this other information is not provided before the date of the auditor's report, management will be requested to provide written representation that the information will be provided as soon as possible and before the annual report is published; this confirmation will be referred to in the auditor's report. The fact that the other information is not provided before the date of the auditor's report does not prevent the auditor from issuing the auditor's report, but the other information will be read and considered when it becomes available, which may require amendments to the auditor's report if

inconsistencies or material misstatements are identified.

- . The withdrawal and re-submission of financial statements and performance reports submitted for auditing are not permitted; the financial statements and performance reports may only be adjusted for matters identified during the audit.
53. The confidentiality of information obtained in an engagement must be observed at all times. In terms of section 50 of the PAA and the code of ethics, the AGSA or an audit firm appointed in terms of section 25 of the PAA, will not disclose or make available any information obtained during an audit, other than the final auditor's report, to any third party unless this is to a state institution and the disclosure has been approved by the auditee and the auditor-general.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Repealed Rules and Regulations/ Directives/ GN 1401 of 15 December 2017: Directive issued in terms of the Act (Government Gazette No. 41321)/ ASSESSMENT AND RECOGNITION OF THE FINANCIAL REPORTING FRAMEWORKS APPLICABLE IN THE PUBLIC SECTOR - SECTION 20 (2) (a) OF THE PAA**

#### **ASSESSMENT AND RECOGNITION OF THE FINANCIAL REPORTING FRAMEWORKS APPLICABLE IN THE PUBLIC SECTOR - SECTION 20 (2) (a) OF THE PAA**

54. The applicable financial reporting framework provides the criteria against which the auditor audits the financial statements. As one of the preconditions for an audit, the auditor is required to determine whether the financial reporting framework applied in preparing the financial statements is acceptable. This is done by considering the requirements of the ISAs and the guidance set out in SAAPS 2, Financial reporting frameworks and the auditor's report. The following financial reporting frameworks are recognised in the public sector and are considered fair presentation frameworks-
- . International Financial Reporting Standards (IFRS)
  - . South African Statements of Generally Accepted Accounting Practice (SA GAAP) only for those specific entities as set out by the ASB. SA GAAP will no longer be available after the 2017-18 financial year.
  - . Standards of GRAP
  - . Modified Cash Standard (MCS) prescribed by the NT
55. Departures or exemptions from the applicable financial reporting framework are granted in terms of sections 79 and 92 of the PFMA, respectively, and sections 170 and 177 of the MFMA, respectively.
56. Should an auditee be granted a departure or exemption from the applicable financial reporting framework in accordance with the requirements of the PFMA or the MFMA, additional disclosure of the nature and reasons for, the period of, and the items affected by, the departure or exemption from the applicable financial reporting framework is required in the financial statements to mitigate any possible misunderstanding by the users of the financial statements.
57. The departure or exemption or use of a financial reporting framework other than that prescribed, may affect the acceptability of the financial reporting framework and, as a consequence, the wording of the audit opinion. This is assessed on a case-by-case basis in terms of the ISAs.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Repealed Rules and Regulations/ Directives/ GN 1401 of 15 December 2017: Directive issued in terms of the Act (Government Gazette No. 41321)/ REPEAL OF PREVIOUS GOVERNMENT GAZETTES**

#### **REPEAL OF PREVIOUS GOVERNMENT GAZETTES**

58. General Notice 618, issued in *Government Gazette* No. 40515 of 23 December 2016, is hereby withdrawn and replaced by the requirements as set out in this notice.

(Editorial Note: Wording as per original *Government Gazette*.)

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Repealed Rules and Regulations/ Directives/ GN 1401 of 15 December 2017: Directive issued in terms of the Act (Government Gazette No. 41321)/ EFFECTIVE DATE**

#### **EFFECTIVE DATE**

59. This notice is effective for financial periods beginning on or after 1 April 2017 and is applicable until further notice. A similar notice will not necessarily be issued annually.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Repealed Rules and Regulations/ Directives/ GN 1401 of 15 December 2017: Directive issued in terms of the Act (Government Gazette No. 41321)/ ENQUIRIES**

#### **ENQUIRIES**





Liability Management	Effective liability management, including an accounting information system that accounts for liabilities. The focus is on borrowings (long term and short term), credit cards, guarantees, indemnities and securities.	No	No	No	Yes - except if the entity has no liabilities or liabilities are not material	No	Yes - except if the municipality has no liabilities or liabilities are not material	Yes - except if the entity has no liabilities or liabilities are not material	No
Strategic planning and performance management	Strategic planning that identifies strategically important outcome-orientated goals and objectives against which the institution's medium-term results can be measured and evaluated. Effective system for performance planning, monitoring, measurement, review, reporting and improvement.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Procurement and contract management	Procurement of goods and services in accordance with a system that is fair, equitable, transparent, competitive and cost effective.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Human resource management	Effective human resource management to ensure that adequate and sufficiently skilled resources are in place.	No	No	No	No	No	Yes	Yes - unless if it is a small auditee	Yes
Utilisation of conditional grants (DoRA)	Utilisation of grants in accordance with the conditions of the allocation.	Yes - only departments that received/utilised DoRA conditional grants	No	No	No	No	Yes - only municipalities that received DoRA conditional grants	No	No
Consequence management	Allegations of financial misconduct (including possible fraud and improper conduct relating to supply chain management); unauthorised, irregular as well as fruitless and wasteful expenditure; and other transgressions are investigated and appropriate action is taken based on the outcome of the investigation.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Governance and oversight	Exercise of ethical and effective leadership by governing and oversight bodies towards the achievement of ethical culture, good performance, effective control, and legitimacy	No	No	No	Yes - only schedule 2 entities	No	No	No	No

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Repealed Rules and Regulations/ Directives/ GN 1401 of 15 December 2017: Directive issued in terms of the Act (Government Gazette No. 41321)/ ANNEXURE B APPLICABILITY OF CRITERIA DEVELOPED FROM THE PERFORMANCE MANAGEMENT AND REPORTING FRAMEWORK TO DIFFERENT CATEGORIES OF AUDITEES**

**ANNEXURE B  
APPLICABILITY OF CRITERIA DEVELOPED FROM THE PERFORMANCE MANAGEMENT AND REPORTING FRAMEWORK TO DIFFERENT CATEGORIES OF AUDITEES**

The criteria developed from the above framework are applicable to audits in all three spheres of government unless otherwise indicated.

<i>References to PMRF per type of institution</i>
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<i>Criteria</i>	<i>Departments/ Constitutional institutions/ Trading entities</i>	<i>Public entities</i>	<i>Municipalities</i>	<i>Municipal entities</i>	<i>Parliament/ Provincial legislatures</i>	<i>Universities</i>
<b>Consistency: Objectives, performance indicators and targets are consistent between planning and reporting documents.</b>						
1. Reported strategic or development objectives are consistent or complete when compared to planned objectives	Section 40 (3) (a) of the PFMA	Section 55 (2) (a) of the PFMA	Section 121 (3) ( f ) of the MFMA	Section 121 (4) (d) of the MFMA	Section 55 (3) (d) of the FMPPLA	Section 5 (2) (k) & 7 (4) (a) of the regulations for reporting by Public Higher Education Institutions
	TR 5.2.4	TR 28.2.2	Section 41 (a) - (c) & 46 of the MSA			
	NT Instruction Note 33: Implementation of the FSAPP	Applicable to 3A & 3C public entities: TR 30.1.3 (g) NT Instruction Note 33: Implementation of the FSAPP				
	Section 25 (1) and 31 (1) of the PSR	Applicable to 2; 3B & 3D public entities: TR 29.1.1 & TR 29.2				
2. Changes to strategic or development objectives are approved	TR 5.1.1	Applicable to 3A & 3C public entities: TR 30.1.1	Section 25 (2) of the MSA	Section 54 (1) (c) of the MFMA	Section 15 (1) & (2) (b) of the FMPPLA	Section 5 (2) (m) & 7 (4) (a) of the regulations for reporting by Public Higher Education Institutions
	NT Instruction Note 33: Implementation of the FSAPP	NT Instruction Note 33: Implementation of the FSAPP				
	Section 4 of FSAPP	Section 4 of FSAPP				
		Applicable to 2; 3B & 3D public entities: TR 29.1.1 & TR 29.2				
3. Reported indicators are consistent or complete when compared to planned indicators	Section 40 (3) (a) of the PFMA	Section 55 (2) (a) of the PFMA	Section 121 (3) ( f ) of the MFMA	Section 121 (4) (d) of the MFMA	Section 55 (3) (d) of the FMPPLA	Section 5 (2) (k) & 7 (4) (a) of the regulations for reporting by Public Higher Education Institutions
	TR 5.2.4	TR 28.2.2	Section 41 (a) - (c) & section 46 of the MSA			
	NT Instruction Note 33: Implementation of the FSAPP	Applicable to 3A & 3C public entities: TR 30.1.3 (g) NT Instruction Note 33: Implementation of the FSAPP				
	Section 25 (1) of the PSR	Applicable to 2; 3B & 3D public entities: TR 29.1.1 & TR 29.2				
4. Changes to indicators are approved	TR 5.1.1	Applicable to 3A & 3C public entities: TR 30.1.1	Section 25 (2) of the MSA	Section 54 (1) (c) of the MFMA	Section 15 (1) & (2) (b) of the FMPPLA	Section 5 (2) (m) of the regulations for reporting by Public Higher Education Institutions
	NT Instruction Note 33: Implementation of the FSAPP	NT Instruction Note 33: Implementation of the FSAPP				
	Section 4 of FSAPP	Section 4 of FSAPP				
		Applicable to 2; 3B & 3D public entities: TR 29.1.1 & TR 29.2				
5. Reported targets are consistent or complete compared to planned targets	Section 40 (3) (a) of the PFMA	Section 55 (2) (a) of the PFMA	Section 121 (3) ( f ) of the MFMA	Section 121 (4) (d) of the MFMA	Section 55 (3) (d) of the FMPPLA	Section 5 (2) (k) & 7 (4) (a) of the regulations for reporting by Public Higher Education Institutions
	TR 5.2.4	TR 28.2.2	Section 41 (a) - (c) & section 46 of the MSA			
	NT Instruction Note 33: Implementation of the FSAPP	Applicable to 3A & 3C public entities: TR 30.1.3 (g) Applicable to 2; 3B & 3D public entities:				
	Section 25 (1) of the PSR	TR 29.1.1 & TR 29.2				
6. Changes to targets are approved	TR 5.1.1	Applicable to 3A & 3C public entities: TR 30.1.1	Section 25 (2) of the MSA	Section 54 (1) (c) of the MFMA	Section 15 (1) & (2) (b) of the FMPPLA	Section 5 (2) (m) of the regulations for reporting by Public Higher Education
	NT Instruction Note 33: Implementation of the FSAPP	NT Instruction Note 33: Implementation of the FSAPP				
	Section 4 of	Sec 4 of FSAPP				
		Applicable to 2; 3B & 3D				

	FSAPP	public entities: TR 29.1.1 & TR 29.2				
7. Reported achievements are consistent with the planned and reported indicator and target	Section 40 (3) (a) of the PFMA	Section 55 (2) (a) of the PFMA	Section 121 (3) ( f ) of the MFMA	Section 121 (4) (d) of the MFMA	Section 55 (3) (d) of the FMPPLA	Section 7 (4) (a) of the regulations for reporting by Public Higher Education Institutions
<b>Measurability: Performance indicators are well defined and verifiable, and targets are specific, measurable and time bound.</b>						
8. A performance indicator is well defined when it has a clear, unambiguous definition so that data will be collected consistently and is easy to understand and use	FMPPI chapter 3.2			Criteria not applicable	Section 1 (d) of the regulations for reporting by Public Higher Education Institutions	
9. A performance indicator is verifiable when it is possible to validate or verify the processes and systems that produce the indicator	FMPPI chapter 3.2			Criteria not applicable		
10. A target is specific when the nature and required level of performance of the target is clearly identifiable.	FMPPI chapter 3.3			Criteria not applicable	Section 1 (a) of the regulations for reporting by Public Higher Education Institutions	
11. A target is measurable when the required performance can be measured.	FMPPI chapter 3.3			Criteria not applicable	Section 1 (b) of the regulations for reporting by Public Higher Education Institutions	
12. A target is time bound when the timeframes for achievement of targets are indicated.	FMPPI chapter 3.3			Criteria not applicable	Section 1 (c) of the regulations for reporting by Public Higher Education Institutions	
<b>Relevance: Performance indicators relate logically and directly to an aspect of the institution's mandate and the realisation of its strategic goals and objectives.</b>						
13. The performance indicator and target relates logically and directly to an aspect of the institution's mandate and the realisation of its strategic goals and objectives	FMPPI chapter 3.2			Criteria not applicable	Section 1 (e) of the regulations for reporting by Public Higher Education Institutions	
<b>Presentation and disclosure: Performance information in the annual performance report are presented and disclosed in accordance with the requirements contained in the legislation, frameworks, circulars and guidance.</b>						
14. Reasons for variances between planned and actual performance are disclosed in the annual performance report.	NT annual report guide for national and provincial departments	Applicable to 3A & 3C public entities:	Criteria not applicable			
	Section 31 (1) of the PSR	NT annual report guide for schedule 3A and 3C public entities				
15. Reasons for variances are corroborated by source documentation.	NT annual report guide for national and provincial departments	Applicable to 3A & 3C public entities:	Criteria not applicable			
	Chapter 5 of the FMPPI	NT annual report guide for schedule 3A and 3C public entities				
		Chapter 5 of the FMPPI				
16. Changes to objectives, performance indicators and performance targets are disclosed in the annual performance report	NT annual report guide for national and provincial departments	Applicable to 3A & 3C public entities:	Criteria not applicable			
	Section 31 (1) of the PSR	NT annual report guide for schedule 3A and 3C public entities				
17. Actual performance						

compared to planned targets and prior year performance is disclosed in the annual performance report.	Criteria not applicable		Section 46 of the MSA	Section 46 of the MSA	Criteria not applicable	
18.Measures taken to improve performance are disclosed in the annual performance report.	Criteria not applicable		Section 46 of the MSA	Section 46 of the MSA	Criteria not applicable	
19.Measures taken to improve performance are corroborated with audit evidence.	Criteria not applicable		Section 46 of the MSA	Section 46 of the MSA	Criteria not applicable	
<b>Reliability: Recording, measuring, collating, preparing and presenting information on actual performance achievements is valid, accurate and complete.</b>						
20.Reported performance occurred and pertains to the reporting entity.	Section 40 (3) (a) of the PFMA Chapter 5	Section 55 (2) (a) of the PFMA	Section 45 of the MSA	Section 45 of the MSA		
21.Amounts, numbers and other data relating to reported performance is recorded and reported correctly.						
22.All actual performance that should have been recorded is included in the reported performance information.	Section 25 (1) (e) of the PSR	Chapter 5 of the FMPPI	Chapter 5 of the FMPPI	Chapter 5 of the FMPPI	Section 55 of the FMPPLA	Section 7 of the regulations for reporting by Public Higher Education Institutions

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Repealed Rules and Regulations/ Directives/ GN 1401 of 15 December 2017: Directive issued in terms of the Act (Government Gazette No. 41321)/ ANNEXURE C CRITERIA USED TO EVALUATE INTERNAL CONTROL**

**ANNEXURE C  
CRITERIA USED TO EVALUATE INTERNAL CONTROL**

**LEADERSHIP**

- Provide effective leadership based on a culture of honesty, ethical business practices and good governance, protecting and enhancing the best interests of the auditee.
- Exercise oversight responsibility regarding financial and performance reporting, compliance and related internal controls.
- Implement effective human resource management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored.
- Establish and communicate policies and procedures to enable and support the understanding and execution of internal control objectives, processes and responsibilities.
- Develop and monitor the implementation of action plans to address internal control deficiencies.
- Establish an information technology (IT) governance framework that supports and enables the business, delivers value and improves performance.

**FINANCIAL AND PERFORMANCE MANAGEMENT**

- Implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.
- Implement controls over daily and monthly processing and reconciling of transactions.
- Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.
- Review and monitor compliance with applicable legislation.
- Design and implement formal controls over IT systems to ensure the reliability of the systems and the availability, accuracy and protection of information.

**GOVERNANCE**

- Implement appropriate risk management activities to ensure that regular risk assessments, including the consideration of IT risks and fraud prevention, are conducted and that a risk strategy to address the risks is developed and monitored.
- Ensure that there is an adequately resourced and functioning internal audit unit that identifies internal control deficiencies and recommends corrective action effectively.

Ensure that the audit committee promotes accountability and service delivery through evaluating and monitoring responses to risks and overseeing the effectiveness of the internal control environment, including financial and performance reporting and compliance with legislation.

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Repealed Rules and Regulations/ Directives/ GN 1401 of 15 December 2017: Directive issued in terms of the Act (Government Gazette No. 41321)/ ANNEXURE D MONITORING CHECKLIST FOR AUDITS NOT CONDUCTED BY THE AUDITOR-GENERAL OF SOUTH AFRICA**

**ANNEXURE D  
MONITORING CHECKLIST FOR AUDITS NOT CONDUCTED BY THE AUDITOR-GENERAL OF SOUTH AFRICA**

**INSTRUCTIONS**

- This checklist should be completed by the appointed audit firm for each audit it has conducted and should be submitted together with the information required in terms of section 27 (5) and 28 (3) (c) above within five months after the financial year-end, i.e. 31 August.

<b>DETAILS OF AUDITEE</b>			
<b>Name of auditee</b>			
<b>Controlling department</b>			
<b>Type of auditee (schedule number)</b>			
<b>Holding company (if applicable)</b>			
<b>Subsidiaries (if applicable)</b>			
<b>DETAILS OF AUDIT FIRM</b>			
<b>Engagement firm</b>			
<b>Engagement firm's address</b>			
<b>Engagement firm's contact details</b>			
<b>Engagement partner</b>			
<b>Engagement partner's contact details</b>			
<b>AGSA DETAILS</b>			
<b>Audit business unit</b>			
<b>Business executive</b>			
<i>No.</i>	<i>Requirements</i>	<i>Complied Yes/no*/ not applicable</i>	<i>Remarks/comments</i>
<b>Public Audit Act, 2004 (Act No. 25 of 2004) (PAA)</b>			
1.	All the requirements of the PAA and this general notice were complied with		
2.	The auditor's report to the accounting authority was submitted within the time frame prescribed by the PFMA		
3.	Three copies of the annual report, containing the auditor's report and the audited financial statements were submitted to the AGSA by 31 August		
<b>Audit</b>			
4.	The auditor's report complied with the template and reporting guide provided by the AGSA.		
5.	Other technical guidance provided by the AGSA as applicable to the auditee has been complied with		
6.	Separate financial statements were audited and an auditor's report was submitted for all subsidiaries		
* Where a 'no' answer is provided, comments must be included.			
7. General comments:			
<i>Insert details</i>			

		Signature:	
<b>Completed by engagement partner:</b>		Name:	
		Date:	
<b>CONCLUSION</b> (to be completed by the audit business unit after receipt of all information)			
No.	Requirements	Complied Yes/no*	Remarks/comments
1.	Did the auditors and the auditee satisfy the requirements of sections 25 to 27 of the PAA, relating to the following:		
	. Appointment of auditors		
	. Discharge of auditors		
	. Duties and powers of auditors		
2.	Has the engagement firm satisfied the reporting requirements of the following:		
	. The PAA		
	. This general notice		
	. The AGSA's <i>Reporting</i> guide and reporting template		
	. Other technical guidance applicable to the auditee		
* Where a 'no' answer is provided, comments must be included			
3. General comments:			
<i>Insert details</i>			
4. Recommended further action in terms of this notice:			
<i>Insert details</i>			
		Signature:	
<b>Evaluated by AGSA business executive /senior manager</b>		Name:	
		Date:	

**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Repealed Rules and Regulations/ Directives/ GN 1401 of 15 December 2017: Directive issued in terms of the Act (Government Gazette No. 41321)/ ANNEXURE E CONSULTATION WITH THE AUDITOR-GENERAL OF SOUTH AFRICA ON THE APPOINTMENT OR DISCHARGE OF THE REGISTERED AUDITOR IN TERMS OF SECTIONS 25 AND 26 OF THE PUBLIC AUDIT ACT**

**ANNEXURE E  
CONSULTATION WITH THE AUDITOR-GENERAL OF SOUTH AFRICA ON THE APPOINTMENT OR DISCHARGE OF THE REGISTERED AUDITOR IN TERMS OF SECTIONS 25 AND 26 OF THE PUBLIC AUDIT ACT**

**INSTRUCTIONS**

The auditee should submit the following details and complete the applicable sections as follows-

- . PART 1 - When the auditee has not received confirmation that the AGSA has opted to perform the audit prior to the commencement of the financial year and is appointing a new audit firm
- . PART 2 - When the auditee has not received confirmation that the AGSA has opted to perform the audit prior to the commencement of the financial year and the current audit firm is to be reappointed
- . PART 3 - When the auditee wishes to discharge the current audit firm

<i>Particulars of auditee</i>	
<b>Name</b>	
<b>Postal address</b>	
<b>Physical address</b>	
<b>Fax number</b>	
<b>Telephone number</b>	
<b>Email address of chief financial officer</b>	
<b>Accounting authority chairperson</b>	<b>Name</b>
	<b>Contact details</b>

<b>Responsible minister (executive authority)</b>	<b>Name Contact details</b>
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**Responsible department**

**Contact person at department**

**Financial year in question**

**PFMA schedule** (2, 3A, 3B, 3C or 3D)

**Name of holding entity** (if applicable)

**PART 1 - Appointment of new audit firm**

**Information to be supplied**

1. Submit the following via email to [section4@agsa.co.za](mailto:section4@agsa.co.za)-
  - . Completed information sheet (see below)
  - . Declaration of independence from the proposed audit firm (see section 3 below)
  - . Confirmation and details of the process followed for procurement of the external audit services
  - . BBBEE certificate of the audit firm
  - . Confirmation of the IRBA registration of the audit firm
  - . Approved minutes of the meeting where the appointment of the auditors was discussed
  - . Proposal received from the audit firm

**Information sheet**

<i>Particulars of audit firm</i>	
<b>Name of audit firm</b>	
<b>Address and contact details</b>	
<b>Engagement partner</b>	
<b>Proposed audit fee</b>	

2. Details of how the quality of the audit firm's work has been assessed, e.g. results of IRBA reviews, as well as confirmation from IRBA that the appointed audit firm is in good standing at IRBA:

*Insert details*

3. Matters that may influence a decision regarding the independence, objectivity or perceived independence of the audit firm:

*Insert details*

4. Confirmation from the accounting authority/board that a procurement process was followed and no exceptions were noted:

*Insert details*

5. Costs of any audit or non-audit services provided by the audit firm during the last three years:

<b>Financial year</b>			
<b>Audit fees</b>			
<b>Fees for other services</b>			
<b>Total fees</b>			
<b>Non-audit fees as a percentage of total fees</b>			
<b>Nature of services performed</b>			

**Declaration of independence by audit firm**

<i>Particulars of audit firm</i>	
<b>Name of audit firm</b>	
<b>Address and contact details</b>	
<b>Engagement partner</b>	

We hereby confirm the following concerning our proposed appointment as auditors of  
 for the financial year

- . We, nor any related network firm, undertake any audit or non-audit services at the auditee and have not done so for the preceding five years.
- . We have the necessary competencies and capabilities to undertake the audit.

<b>Completed by engagement partner:</b>	Signature:
	Name:
	Date:

**Information submitted by:**

<b>Completed by auditee:</b>	Signature:
	Name and designation:
	Date:

**PART 2 - Reappointments of audit firm**

**Information to be supplied**

6. In this regard the following information should be submitted via email to [section4@agsa.co.za](mailto:section4@agsa.co.za).

**Information sheet**

<i>Particulars of audit firm</i>	
<b>Name of audit firm</b>	
<b>Address and contact details</b>	
<b>Engagement partner</b>	
<b>Financial years previously audited</b>	

7. Details of the audit committee's assessment of the effectiveness and efficiency of the performance of the external auditors, including IRBA review results:

<i>Insert details</i>
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8. Details of significant disagreements between the external auditors and the accounting authority during the preceding financial year, if any:

<i>Insert details</i>
-----------------------

9. Indicate any matter that may influence a decision regarding the independence, objectivity or perceived independence of the auditors:

<i>Insert details</i>
-----------------------

10. Name of partner in charge of the audit for the last five years:

<b>Year</b>	<b>Name of partner</b>
<b>1</b>	
<b>2</b>	
<b>3</b>	
<b>4</b>	
<b>5</b>	

11. Name of senior audit manager in charge of the audit for the last five years:

<b>Year</b>	<b>Name of senior audit manager</b>
<b>1</b>	
<b>2</b>	
<b>3</b>	
<b>4</b>	
<b>5</b>	

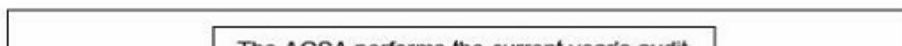
12. Costs of audit and non-audit services provided by the audit firm during the last three years:

<b>Financial year</b>			
<b>Audit fees</b>			
<b>Fees for other services</b>			
<b>Total fees</b>			
<b>Non-audit fees as a percentage of total fees</b>			
<b>Nature of services performed</b>			

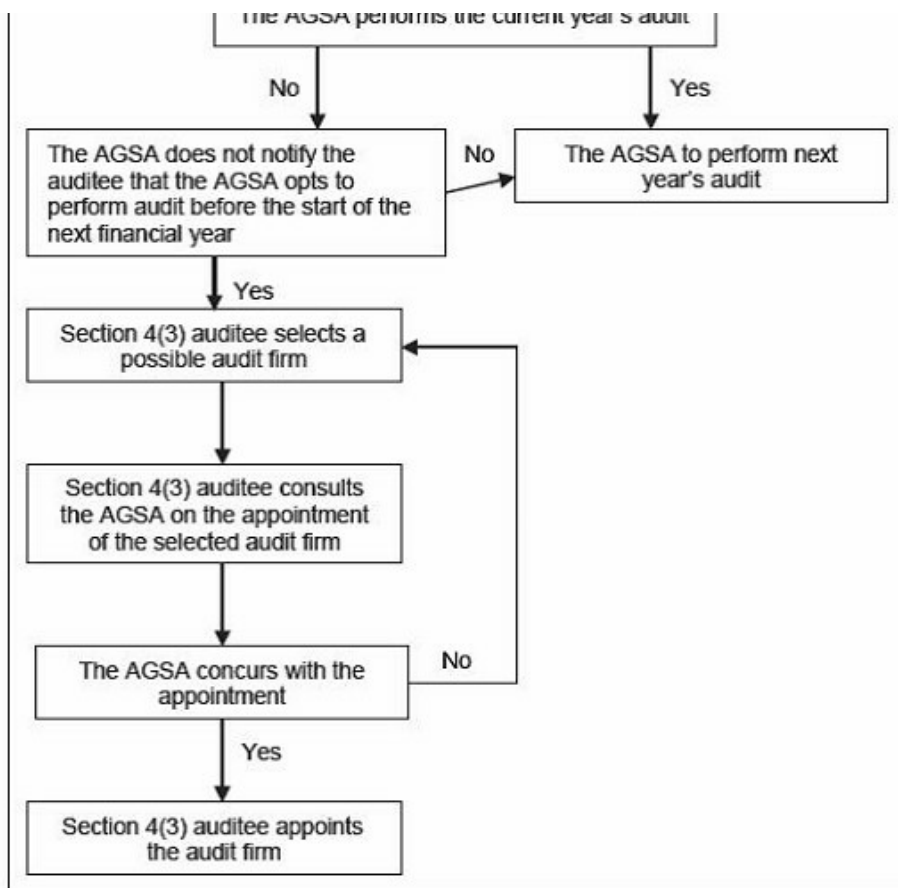
**Information submitted by:**

<b>Completed by auditee:</b>	Signature:
	Name and designation:
	Date:

**SCHEMATIC ILLUSTRATION OF THE AUDITOR APPOINTMENT PROCESS**







**PART 3 - Discharge of audit firm**

**Information to be supplied**

13. In this connection the following information should be submitted via email to [section4@agsa.co.za](mailto:section4@agsa.co.za)-

- . Information sheet
- . Notice to the auditor, giving the reasons for the impending discharge
- . Written concurrence by the executive authority for the planned discharge.

**Information sheet**

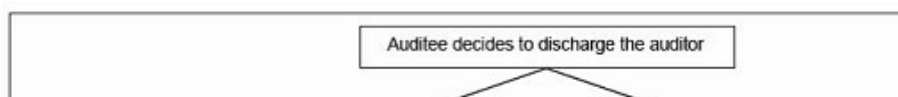
<b>Particulars of audit firm</b>	
<b>Name of audit firm</b>	
<b>Address and contact details</b>	
<b>Engagement partner</b>	
<b>Financial years previously engaged on the audit</b>	

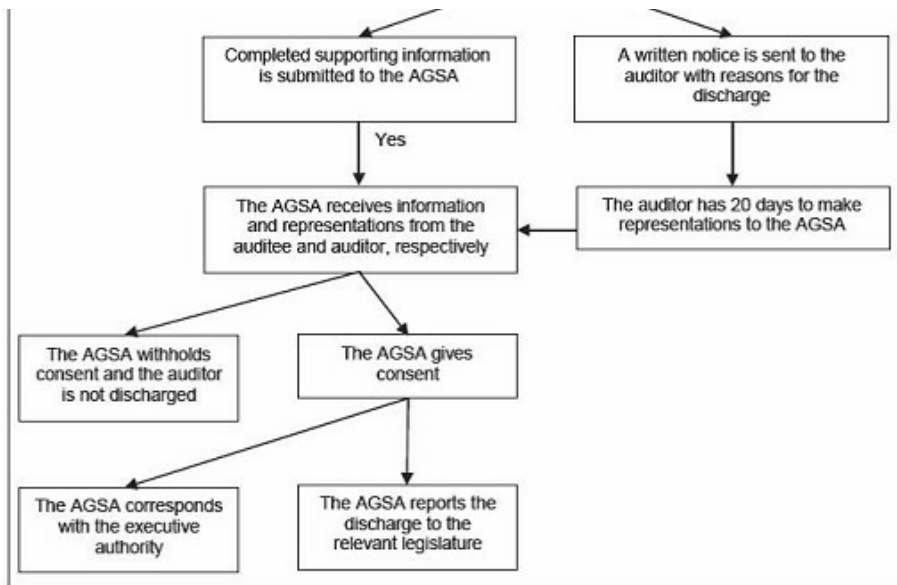
14. Costs of audit and non-audit services provided by the audit firm during the last three years:

<b>Financial year</b>			
<b>Audit fees</b>			
<b>Fees for other services</b>			
<b>Total fees</b>			
<b>Non-audit fees as a percentage of total fees</b>			
<b>Nature of services performed</b>			

<b>Completed and submitted by:</b>	Signature:
	Name and designation:
	Date:

**SCHEMATIC ILLUSTRATION OF THE AUDITOR DISCHARGE PROCESS**





**National Legislation/ Principal Acts and Regulations/ P/ Public Audit Act, No. 25 of 2004/ Rules and Regulations/ Repealed Rules and Regulations/ Directives/ GN 1401 of 15 December 2017: Directive issued in terms of the Act (Government Gazette No. 41321)/ ANNEXURE F RELEVANT EXTRACTS FROM THE PUBLIC AUDIT ACT**

**ANNEXURE F  
RELEVANT EXTRACTS FROM THE PUBLIC AUDIT ACT**

**2. Objects of this act.**-The objects of this Act are-

- (b) to provide for the auditing of institutions and accounting entities in the public sector;

**4. Constitutional functions.**-(1) The Auditor-General must audit and report on the accounts, financial statements and financial management of-

- (a) all national and provincial state departments and administrations;
- (b) all constitutional institutions;
- (c) the administration of Parliament and of each provincial legislature;
- (d) all municipalities;
- (e) all municipal entities; and
- (f) any other institution or accounting entity required by other national or by provincial legislation to be audited by the Auditor-General.

(2) The Auditor-General must audit and report on the consolidated financial statements of-

- (a) the national government as required by section 8 of the PFMA;
- (b) all provincial governments as required by section 19 of the PFMA; and
- (c) a parent municipality and all municipal entities under its sole or effective control as required by section 122 (2) of the MFMA.

(3) The Auditor-General may audit and report on the accounts, financial statements and financial management of-

- (a) any public entity listed in the PFMA; and
- (b) any other institution . . . which is-
  - (i) funded from the National Revenue Fund or a Provincial Revenue Fund or by a municipality; or
  - (ii) authorised in terms of any legislation to receive money for a public purpose.

**5. Other functions.**-(1) The Auditor-General may, at a fee, and without compromising the role of the Auditor-General as an independent auditor, provide-

- (a) audit-related services to an auditee . . . or other body, which is commonly performed by a supreme audit institution on condition that-
  - (i) no services may be provided in respect of any matter that may subsequently have to be audited by the Auditor-General;
  - (ii) such service will not directly result in the formulation of policy; and

(iii) there must be full and proper disclosure of (the categories of) such services (in the report annually submitted by the Auditor-General to the National Assembly).

(d) carry out an appropriate investigation or special audit of any institution . . . , if the Auditor-General considers it to be in the public interest or upon the receipt of a complaint or request.

(3) The Auditor-General may, in the public interest, report on any matter within the functions of the Auditor-General and submit such a report to the relevant legislature and to any other organ of state with a direct interest in the matter.

**11. Application of this part.**—This part applies to all audits of auditees which the Auditor-General-

(a) must perform in terms of section 4 (1) or (2); or

(b) opts to perform in terms of section 4 (3).

**13. Standards for audits.**—(1) The Auditor-General, after consulting the oversight mechanism, must determine-

(a) the standards to be applied in performing audits . . .

(b) the nature and scope of such audits; and

(c) procedures for the handling of complaints when performing such audits.

(3) The Auditor-General may-

(a) make different determinations on the matters mentioned in [subsection \(1\)](#) for different categories of audits based on recognised best practice; or

(b) issue specific directives on those matters in any specific case.

**14. Submission of financial statements.**—(2) Financial statements submitted by an auditee which is not subject to the PFMA or the MFMA must be submitted within the period, be in a format, contain the information and otherwise comply with any requirements determined-

(a) by any legislation applicable to that auditee; or

(b) in the absence of such legislation, by the Auditor-General.

**15. General auditing powers.**—(2) The Auditor-General or an authorised auditor may for the purpose of an audit-

(b) direct a person to produce or to deliver at a specified place and time and in a specified format-

(i) any such document, book or written or electronic record or information . . .

**20. Audit reports.**—(2) An audit report must reflect such opinions and statements as may be required by any legislation applicable to the auditee which is the subject of the audit, but must reflect at least an opinion or conclusion on-

(a) whether the annual financial statements of the auditee fairly present, in all material respects, the financial position at a specific date and results of its operations and cash flow for the period which ended on that date in accordance with the applicable financial framework and legislation;

(b) the auditee's compliance with any applicable legislation relating to financial matters, financial management and other related matters; and

(c) the reported information relating to the performance of the auditee against predetermined objectives.

(3) In addition, the Auditor-General may report on whether the auditee's resources were procured economically and utilised efficiently and effectively.

**25. Appointment of auditors.**—(1) If the Auditor-General has opted not to perform the audit of an auditee .

(a) the Auditor-General must give notice of his or her decision to that auditee before the start of the auditee's financial year for which the appointment is to be made; and

(b) the auditee must appoint as its auditor a person registered in terms of the Public Accountants' and Auditors' Act as an accountant and auditor and engaged in public practice as such.

(2) Before appointing an auditor in terms of [subsection \(1\)](#), the auditee must give notice of the suggested appointment to the Auditor-General, including information on the extent to which the auditor would provide other services than audit services during the duration of the appointment, and any other information required by the Auditor-General.

(3) If the Auditor-General, within 14 days of receiving a notice in terms of [subsection \(2\)](#) or such longer period as may be agreed to, rejects the auditee's appointment, the auditee must in terms of that subsection recommence the process to appoint another person as its auditor.

(4) Appointments in terms of this section may not be for a longer period than one financial year of the auditee.

**26. Discharge of auditors.**—(1) An auditee . may discharge an auditor .before the expiry of that auditor's term of appointment, but only with the consent of the Auditor-General and, if that auditee has an executive authority within the meaning of the PFMA, also of the relevant executive authority.

(2) If such an auditee intends discharging an auditor in terms of [subsection \(1\)](#), it must-

(a) give the auditor notice, in writing, setting out the reasons for the discharge; and

(b) give the auditor an opportunity to make representations, in writing, to the Auditor-General within 20 days of receipt of the notice.

(3) The Auditor-General must report any discharge of an auditor in terms of [subsection \(1\)](#) to the relevant legislature.

**27. Duties and powers of auditors.**-(1) An auditor . . . must perform the functions of office as auditor in terms of section 20 of the Public Accountants' and Auditors' Act.

(2) In performing those functions as the auditor of an auditee, the auditor has the powers assigned to the Auditor-General in terms of section 15 (of the PAA).

(3) An auditor may consult the Auditor-General or a person designated by the Auditor-General concerning any matter relating to the auditing of the auditee concerned.

(4) An auditor-

(a) must be given notice of every meeting of the auditee's audit committee, if the auditee has such a committee; and

(b) may attend, and participate in, any meeting of such an audit committee at the expense of the auditee.

(5) The Auditor-General or a person designated by the Auditor-General may request information regarding the audit from an auditor . . .

**28. Audit reports and other reports.**-(1) The report of an auditor . . . must reflect such opinions and statements as may be required by any legislation applicable to the auditee which is the subject of the audit, but must reflect at least an opinion or conclusion on-

(a) whether the financial statements of the auditee fairly present, in all material respects, the financial position at a specific date and results of its operations and cash flow for the period which ended on that date in accordance with the applicable financial framework and legislation;

(b) the auditee's compliance with any applicable legislation relating to financial matters, financial management and other related matters; and

(c) the reported information relating to the performance of the auditee against predetermined objectives.

(3) The auditor must submit copies of the audit report referred to in [subsection \(1\)](#)-

(a) to the auditee;

(b) if the auditee has an executive authority within the meaning of the PFMA, to that executive authority for submission to the relevant legislature;

(c) to the Auditor-General; and

(d) to the National Treasury or the relevant provincial treasury, as may be appropriate.

**50. Disclosure of information.**-No authorised auditor, person assisting an authorised auditor or a member of the staff of the Auditor-General may, without the permission of the Auditor-General, disclose information obtained in the course of an audit or the carrying out of duties in terms of this Act otherwise than in an audit report or in accordance with section 18 (4).

(Editorial Note: Numbering as per original *Government Gazette*.)